PROPERTY ASSESSMENT AND EXEMPTIONS: THEY NEED REFORM

Prepared by Alan C. Stauffer

Research Brief No. 3

Denver, Colorado

1973

Additional copies of this report may be obtained for $2.00 from the Education Commission of the States, 300 Lincoln Tower 1860 Lincoln Street, Denver, Colorado 80203.

Education Commission of the States

ED 078533

PROPERTY ASSESSMENT AND EXEMPTIONS: THEY NEED REFORM

Prepared by Alan C. Stauffer

Research Brief No. 3

Denver, Colorado

1973

Additional copies of this report may be obtained for $2.00 from the Education Commission of the States, 300 Lincoln Tower 1860 Lincoln Street, Denver, Colorado 80203.

Education Commission of the States

ILLUSTRATIONS

TABLES

APPENDIXES

INTRODUCTION

REFORMING THE REAL PROPERTY TAX

The real property tax is the single most important revenue source for state and local governments in the U.S. The purpose of this research brief is, first, to point out inequities in the taxing methods of many states and of political subdivisions within states and, second, to suggest possible remedies. Special emphasis is placed on assessments against real property and their impact on tax revenues.

The administration of the real property tax is a matter of special interest to anyone concerned with school finance. Most local revenues for schools are raised through the property tax. Popular discontent with the property tax is caused to a great extent by poor administration of the tax, including unfair assessments and exemptions. This discontent adds to the difficulty school boards face in getting their budgets approved.

The property tax has received increased attention since the August 1971 California State Supreme Court decision in *Serrano vs. Priest*. The court found that the U.S. Constitution is being violated by tax levies which provide "wealthy" school districts with ample funds for their schools at a comparatively small outlay per taxpayer, while taxpayers in "poor" districts pay much higher taxes to provide much smaller sums.

Neither *Serrano* nor the property tax cases which have followed have ruled the property tax itself unconstitutional. The problem lies in the systems which have developed over time for applying the tax.

It is important to understand exactly what is meant by the terms "wealthy" and "poor" districts in relation to the property tax. "Wealthy" districts are those which have a comparatively high assessed valuation (value of taxable real property) per pupil; "poor" districts are those which have a low assessed valuation per pupil. "Wealthy" and "poor" do not refer to, nor do they correlate with, family income. Large city school districts, for example, are generally "wealthy" (with a high assessed valuation per pupil)—while at the same time they have a high demand for services, which must be paid for out of property tax revenues. This limits the amount of money available for schools.

Table A-1 (Appendix A) points out the ratio of total assessed valuation in the wealthiest and poorest districts in each state. It also illustrates the variation among states. The Table shows, for example, that in Kansas the most wealthy district has an assessed valuation per pupil 182.8 times greater than the poorest district. At the other end of the scale, the ratio per pupil in Hawaii is the same throughout the state due to state funding of education.

Urged on by the federal courts and their own realization that such inequities are not acceptable, state legislators and tax experts, particularly those who specialize in school finance, are seeking reforms. Reliance on the local property tax—and its inept, inadequate and often unjust assessment and tax procedures--produces disparities among school districts. The reformers are trying to devise methods to reduce these disparities and the educational inequalities which apparently result from them.

The question then is: What part should local property taxes play, if any, in state school revenue systems?

Most political and educational leaders answer that the local property tax is fundamental and that it should continue to play a major role in school finance. See Table A-2 (Appendix A). But, if the tax is to remain as one of the foundations of school revenue, its administration must be reformed.

A number of reforms were proposed ten years ago by the U.S. Advisory Commission on Intergovernmental Relations (ACIR), but they were not widely implemented.

Equalization of educational resources solves only part of the finance problem. Resources must be equalized in a fair and just manner. Assessments should be uniform. Exemptions should be equitable. This research brief points out specific areas of property tax administration where reform is in order. It also brings together under one cover an interstate comparison of present conditions in the states.

This paper will not deal with the reforms needed in the assessment appeals process. The states should not overlook this vital area when they consider property tax reform.

Definitions

For tax purposes, property is divided in two categories: real and personal. *Real property* includes land and buildings. *Personal property* is any property other than real property. Personal property or "personalty" is usually divided into tangible and intangible categories. *Tangible properties* are physical pieces of material that have value; for example, jewelry and automobiles. *Intangible properties* are items such as stocks and bonds.

Generally, property tax assessors deal only with real property. Assessors are, however, often involved in the assessment of such personal property as the rolling stock of railroads. In this brief, the term *property tax*, unless otherwise specified, refers to any property appraised and assessed by an assessor.

Assessment is the process by which taxable property is appraised, assigned a value for tax purposes and listed on a tax roll. The *assessor* is the person who carries out the assessment function. An *appraiser* is a person who determines the value of property for an assessor. Sometimes an assessor is also an appraiser.

An *assessment ratio* expresses the relationship between the market value of property and its assessed value (the value for tax purposes set by the assessor).

In some states different kinds of property are assessed at varying ratios as required by law. Income-producing property, for example, may be assessed and taxed at a different rate than residential property. These systems are called *classified property tax systems*. In many states different classes of properties are assessed at different levels even though there is no legal provision for this practice.

Limitations of This Brief

The information for an important portion of this brief was obtained from a 1972 survey by the Education Commission of the States (ECS). A questionnaire was sent to the chief state property tax administrator in each state (see Appendix E). All of the questionnaires were returned. Questions left unanswered or answered ambiguously were covered in telephone interviews.

Property tax laws are complex, and they are different in each state. Within each state there is an infinite number of local variations in the way the laws are administered. It should be kept in mind that this brief is a general road map to conditions in the *states.* In some states there are localities and jurisdictions where property tax assessment and administration are of high caliber.

CHAPTER I

THE PROPERTY TAX AS A SCHOOL REVENUE DEVICE

Undoubtedly the property tax has been more bitterly denounced over the years than any other tax. A good share of the criticism can be attributed to the manner in which the tax has been administered. Property taxes are also unpopular because they have been used to finance so many different local services. In most states property taxes are collected once a year in a lump sum. This practice makes the financial impact of the tax on a property owner's pocketbook apparent and sometimes traumatic.

Many have thought that the *Serrano* decision would signal the end of local property taxes, especially as they relate to the budgets of local school districts. It is not realistic, however, to expect a wholesale abandonment of the tax. Most local government revenue in the United States is raised through the property tax. It would be difficult to replace these funds with funds from other sources. Furthermore, recent attempts to put constitutional restrictions on the use of the property tax have failed. In 1972, constitutional amendments were proposed in four states to prohibit or sharply restrict the extent to which state and local governments could rely on property taxes as a revenue source.[1] On November 7, 1972, the voters in California, Colorado, Oregon and Michigan decisively rejected these proposals.

One factor in favor of taxing real property is that a reasonably diligent assessor can find it and, once found, it can be taxed to produce dependable and predictable amounts of revenue. For a state-by-state look at the amounts of revenue involved, see Appendix B.

Jesse Burkhead's defense of the property tax is probably as valid now as it was when the noted student of government finance wrote it in 1963:

> On the whole. . .the property tax is a far better fiscal instrument than most of its critics have allowed There is every reason to believe that it will continue to hold its relative fiscal importance in state-local public finance structures. . . . Although the property tax has long been condemned by students of fiscal affairs, its recent behavior suggests that it would be better to strengthen this levy than to plan for its eradication.[2]

The property tax also has the advantage of being able to get at accumulated wealth. Property wealth is often a good indicator of personal wealth. The ability to pay for property implies the power to liquidate and to borrow. A different sort of advantage comes from the fact that the property tax is very visible in comparison to the federal personal income tax which is withheld in a relatively painless manner from a taxpayer's paycheck. In a democracy it is desirable for an individual to know what it personally costs him to support the functions of government. Furthermore, the property tax is probably the fairest method of paying for government services that are property-related; for example, police and fire protection.

If the state were to abandon the property tax or severely restrict its use, other revenue-raising sources would be required. It is difficult to predict whether other forms of taxation could be established and, for that matter, whether they could be administered any more equitably than the property tax. In the long run, it may be cheaper and less painful to overhaul the property tax system and to devise revenue allocations which meet the *Serrano* test. Possible alternatives for using property taxes to fund education are:

1. *District power equalizing:* This would give each district equal tax-raising power, regardless of its total assessed valuation.[3] A given tax rate would enable any district to raise the funds needed to spend a given amount per pupil on schools. If Beverly Hills and Baldwin Park (the "wealthy" and "poor" districts made famous by the *Serrano* case) each charged $4.00 per hundred dollars assessed value, each could spend the same amount per pupil. The state would make up the difference in Baldwin Park—partly with the extra funds raised by Beverly Hills. If the rate in either district were higher or lower, it could spend proportionately more or less.

2. *Full-state funding, financed by a state-administered property tax:* The state would take over property tax assessment and administration. It would divide the revenue among school districts according to a state formula. Eighteen states currently levy some form of a state property tax. Some other states are now prohibited by their constitutions from using a state property tax. See Figure 1.

Figure 1. *States Currently Levying a State Property Tax, November, 1972.* Eighteen states are in a good position to finance schools through a state property tax, since no constitutional amendment would be required.

Source - ECS - Survey.

States currently levying a State property tax (18).

California levies only on private automobiles.
North Dakota levies for medical school only.
Wyoming levies for schools only.
New Hampshire levies on railroads and telephone companies.
Missouri levies for blind pension only.
Louisiana abolished the state tax in the November elections, 1972.

3. *A state-mandated uniform rate to be imposed by local districts on property for school purposes:* Local districts could levy a rate determined by the state. The formula would take into account differences in assessment levels among the local districts.

4. *A reformed system of local property assessment administration coupled with state equalizing aid:* Local assessment practices would be upgraded to make the tax fair. The remaining disparities among districts would be taken care of by state equalizing aid for "poor" school districts.

5. *Redraw school district boundaries to provide substantially equal property valuation per pupil:* This would be administratively difficult because property values change continually. It would be politically difficult because of vested interests.

No matter which of these alternatives is used, it is imperative that property taxes be administered fairly and efficiently. Reforms both in exemption policies and in the assessment of property can help achieve equity.

CHAPTER II
EXEMPTIONS

The number of partial and full exemptions written into law over the years is one reason why property taxes are often high in relation to other taxes. Many property tax exemptions in the states were adopted for the purpose of making the tax more equitable.

A "circuit-breaker" system can be an effective alternative to traditional exemption policies in achieving equity. A "circuit-breaker" is a method of reducing the burden of property taxes for low and fixed-income taxpayers without deteriorating the property tax base. Exemptions, on the other hand, besides eroding the local tax base, also create inequities among those who qualify for them.

> It seems quite possible that the new sources of revenue needed so desperately by some local authorities are not to be found in new taxes or increased state aid; rather they will be found in more equitable assessments and in restoring to the assessment rolls some of those categories of properties now subject to reduced levies or none at all.
>
> Mabel Newcomer, Tax Economist

Tax Base Erosion

Every time a property is exempted from the property tax rolls, the potential for raising revenue is reduced and other properties must assume the burden. Approximately one third of the taxable property in the United States escapes taxation, according to a recent study.[4] Once exemptions are written into constitutions or statutes, they often become permanent fixtures; they escape regular scrutiny by the legislature. Many exemptions are grants or subsidies designed to make the property tax less regressive. Because of these exemptions, localities with many low-income families and elderly persons on modest, fixed incomes may find themselves hard-pressed to finance the functions of local government. Figure 2 shows which property tax exemptions are common in the states. (Besides the exemptions shown in Figure 2, most states exempt the property of church or charitable organizations without regard to whether they produce revenue or perhaps even compete with non-exempt property.)[5]

Figure 2. *The Kinds of Property Tax Exemptions in the States.* Property tax exemptions remove properties from the tax rolls thus requiring higher rates on remaining properties.

Source-Map prepared by ECS; Homestead exemption information was furnished by the International Association of Assessing Officers, Chicago, Illinois; All other data is found in Alfred Balk, *The Free List: Property Without Taxes,* (New York: The Russell Sage Foundation, 1971), p. 167.

☐ States having four or more of the listed exemptions (5).

H Homestead
E Elderly
V Veterans
B Blind
D Industrial or urban development
G Lease holders of government land

Major Types of Exemptions

Four major exemptions are homestead exemptions, preferential agricultural assessments, exemptions of public property and exemptions of business personal property.

The *homestead exemption* is a product of the depression years. Many farmers and ranchers were losing their lands at that time because they could not pay their property taxes. Most homestead exemptions allow a certain amount of real property value to go untaxed. To qualify for an exemption, a homestead usually has to be a certain minimum size and occupied by its owner. In some states, homestead exemptions were established to give tax relief to homeowners in general. Thirteen states have homestead exemption laws.

A common practice in many states is to give *preferential tax treatment to agricultural land*. Such lands are often assessed on the basis of their agricultural value rather than their market value. Land speculators can buy such property, maintain a meager farm or ranch and escape taxation at market value rates. The properties are later sold for development purposes.

Nearly 40 percent of exempt property is *public property*, owned by governmental units or their agencies. This property usually receives the same benefits and services as non-exempt property. Government ownership of large amounts of real property can have a drastic effect on the local tax rolls. In 25 states, service-charge or payment-in-lieu-of-taxes arrangements are used to compenstate local governments for exempt state property (see Figure 3).

Personal property is any property other than real estate. *Business personal property* or "personalty" includes: business inventories, rolling stock of railroads and truck lines, machinery, stocks and bonds. Forty-six states have laws exempting certain categories of business personalty (see Appendix C).

Inequity and Overexemption

The statutory provisions for applying exemptions can create inequities. Some state laws specify that a percentage of valuation can be exempted from taxes. Some laws make the exemption uniform throughout the state. But where the exemption percentage is merely permissive, the results can vary widely.

Figure 3. *States Which Have Service-Charge or Payment-In-Lieu-Of-Taxes Arrangements for State-Owned Property.* Government ownership of real estate reduces the local tax roll. Such exempt properties still require the services provided by local government.

Source-Map prepared by ECS. Data is from Alfred Balk, *The Free List* Property Without Taxes, (New York: The Russell Sage Foundation, 1971), p. 169.

H State-authorized public housing
G Game and fish preserves
P State parks
F Forest and timber lands
Po Port authorities

Other state laws define exemptions in dollar amounts. In these cases, the value of a partial exemption, when applied to a particular property varies according to the fraction (or percentage) of market value at which the property is assessed. (The practice of assessing at a fraction, or percentage, of market value is called *fractional assessment.*) The higher the percentage (that is, the ratio of market value to assessed value), the lower the value of the exemption. A partial exemption of $3,000, for example, is worth more when applied to a property assessed at 20 percent of market value than it is when it is applied to property assessed at 30 percent. The actual value of an exemption is calculated by adjusting for fractional assessment by dividing the statutory amount of the exemption by the assessment ratio. An exemption of $3,000 is equivalent to $15,000 exemption in a locality assessing at 20 percent of market value; it would be equivalent to a $10,000 exemption in a 30 percent locality.

$$\frac{\$3{,}000}{.20} = \$15{,}000\text{—where property is assessed at 20 percent of market value.}$$

$$\frac{\$3{,}000}{.30} = \$10{,}000\text{—where property is assessed at 30 percent.}$$

The same example can be explained in another way. A $20,000 property assessed at 30 percent would be listed for tax purposes at $6,000. A $20,000 property assessed at 20 percent would be listed at $4,000. Property A would pay taxes on $3,000; Property B, only on $1,000. While property A is freed of only 50 percent of its tax burden, Property B is freed of 75 percent. In such a case, the assessor, instead of the legislature, determines the actual value of the exemption when he assesses at a percentage of market value. Exemptions may therefore turn out to be worth more or less than intended by law. Laws designed to give relief to certain income groups may in fact exempt those having the ability to pay.

One way that the state can overcome the problems caused by varying assessment ratios is to adjust the assessed values of property before applying exemption formulas. State procedures for adjustment (called equalization) need to be evaluated, however, since many do not really accomplish the task. Another action the states might consider is the elimination of some exemptions altogether.

Exemptions are not always the best method of giving tax relief. After an extensive study of exemption policies, Alfred Balk, a writer on public affairs, made these recommendations to the states:

1. Comprehensive and accurate exemption data should be regularly reviewed and published.

2. Words like "charitable organizations" should be clarified to plug up loopholes in the law.

3. Local governments should receive intergovernmental payments for tax revenue lost because of public ownership.

4. Exempt organizations should pay direct charges for specific community services.

5. States should reimburse local governments for mandated partial exemptions (homestead exemptions, for example).

6. State and local tax officials should be more vigorous in seeking to stop the spiraling exemption trend.[6]

Exemption reform might come sooner if either state legislators or average taxpayers knew just how many properties are exempt and how much these properties are worth. As Figure 4 shows, only 16 states require that exempt properties be assessed. Of these 16, only 13 publish reports on the tax values of the exempt properties. State legislatures are often as unaware of the exemption problem as is the general public. Since 1953, only 15 state legislatures have made a legislative analysis or report on the tax-exemption statutes in their states (see Table I).

Tax Rebate and "Circuit-Breaker" Systems

One of the major criticisms of the property tax is that it imposes a greater hardship on those with less ability to pay; that is, on fixed-income elderly and low-income family homeowners and low-income renters. One approach (other than traditional exemptions) that several states have used to reduce the regressivity of the property tax is the "circuit-breaker" system. The assumption is that taxes in excess of a per-set percentage of personal income are an overload. The overload is broken by

Figure 4. *States Regularly Assessing Exempt Properties, November, 1972.* In most states the tax value of exempt properties is not known because such properties are not assessed.

Source - ECS - Survey.

Fargo, North Dakota assesses exempt property.
Reports are published in all the states indicated by shading except Indiana, Minnesota, and Iowa (the information is available in Iowa but not published).
In Maine the reports list only a summary of each property class.

either tax credits (generally on the state income tax) or by cash rebates from the state. Iowa reduces the tax bill for those determined by the state to be eligible. The desirable features of the "circuit-breaker" approach are:

1. Tax relief is based on the ability to pay.

2. Local government does not lose part of its tax base.

3. A wide range of variation is available.

4. The cost of tax relief would appear in state budgets for review by the legislature (the cost of conventional exemptions is seldom known).

5. Renters can be included in the formula.

TABLE I. States Which Have Studied the General Structure of Tax-Exemption Statutes and Practices Since 1953. Few State Legislatures have studied exemption laws recently.

Reports Compiled		Reports Approved and Now in Progress*	
Colorado	1966	Michigan	1969
Connecticut	1967	New Jersey	1969
Florida	1968	North Dakota	(prior to 1971)
Hawaii	1961	Vermont	(informal—1970)
Iowa	1969	Wisconsin	
Minnesota	1969		
New Jersey	1969		
Virginia	1968		
Washington	1969		
Wyoming	1953-54		

Source—From page 166 of the *The Free List: Property Without Taxes* by Alfred Balk, 1971 by Russell Sage Foundation, New York (used by permission)

*Since this table was compiled, New York has done an exemption report.

Fourteen states have decided to grant property tax relief through the "circuit-breaker" approach. Table II lists those states in order of the date they adopted this approach. Wisconsin was the first to adopt the system in 1964. The Advisory Commission on Intergovernmental Relations (ACIR) has devised a method of estimating the cost of a "circuit-breaker" system in any state. The method estimates the cost of rebating all residential property taxes in excess of four different percentages of income (see Table III).

Summary

Exemptions as presently administered in many states not only reduce the yield of taxes from property, they often make the tax burden inequitable. Assessment levels can change the value of many exemptions. The total tax value of exempt properties is not known in most states because such properties are not usually assessed. The "circuit-breaker" system, a new approach to tax relief, has many advantages over conventional exemptions.

TABLE II. States Using the Tax Credit - Tax Rebate System or Circuit-Breakers
Fourteen states use this form of tax relief to relieve the regressivity of the property tax.

State	Beneficiaries Description	Income Ceiling	Percent of Annual Rent	Tax Relief Formula	Form of Abatement and Estimated Per Capita Cost	Date of Adoption	Statutory Citation
Wisconsin	Homeowners & renters 62 and older[1]	$5,000	25%	"See footnote 1" Relief limit $500.	State income tax credit or rebate Cost - $1.53 (1970-71)	1964	Chap. 71, Sec. 71.09(7)
Minnesota	Homeowners & renters 65 and older	$5,000	20%	Percent of tax relieved declines as household income increases. Relief limited to specific percent of taxes or in lieu rent based on household income level.	State income tax credit or rebate Cost -$2.25 (1972) (This aid is in addition to a general State-financed property tax relief that approximates 35% of the homeowner's tax bill)	1967	Chap. 290, Sec. 290.0601 et seq.
California	Homeowners age 62 & older; no relief for renters	$10,000	-	Relief ranges from 96% of tax payment on first $7,500 of value if household income is less than $1,000 to 4% of tax payment if household income is $10,000.	State rebate only Cost - $0.40 (1969)	1967	Revenue & taxation code Div. E., Sec. 19501 et seq.
Vermont	Homeowners & renters age 65 & older	Not explicit Implicit unit is $4,286	30%	Relief limited to that part of tax payment in excess of 7% of household income times a local rate factor that varies by tax rate of local community.[2] Relief limit $330.	State income tax credit or rebate Cost - $1.25 (1969)	1969	H.B. 222
Kansas	Homeowners age 65 & older; no relief for renters	$3,700	-	Similar to Wisconsin but with different percentages. Relief limit $330.	State income tax credit or rebate Cost - NA	1970	H.B. 1253
Oregon	Homeowners only - no age restraint	None	-	Relief based on amount by which property taxes exceed percentage of household income. The % ranges from 3% on income up to $1,500 (max. relief $400) to 7% for income in excess of $8,000 (max. relief $100).[4]	Taxpayers initial tax bill is reduced by the amount of relief granted by the Dept. of Revenue and the Dept. pays to the counties the amount of relief granted, or alternatively taxpayers may claim state income tax credit.	1971	Ch. 747 (H.B. 1639)

States Using the Tax Credit - Tax Rebate System or Circuit-Breakers (Cont'd)

State	Beneficiaries Description	Income Ceiling	Percent of Annual Rent	Tax Relief Formula	Form of Abatement and Estimated Per Capita Cost	Date of Adoption	Statutory Citation
Colorado	Homeowners & renters age 65 & older	$2,400 single $3,700 married (In addition, net worth during year must be less than $20,000)	10%	Relief limited to 50% of the tax payment and cannot exceed $250. The credit or refund is reduced by 10% of income over $500 for individuals & 10% of income over $1,800 for husband and wife.[3]	State income tax credit or rebate Cost - NA	1971	Chap. 138 Secs. 138 1-20 & 21
Maine	Homeowners & renters age 65 & older for males and 62 & older for females (At least 35% of household income must be attributable to claimant)	$4,000 (In addition, net assets must not exceed $30,000)	20%	Relief equal to 7% of the difference between household income and $4,000. Limited to the total property tax levied. Relief limit $300.	State rebate only Cost - NA	1971	Title 36, Chap. 901, Secs. 6101 & 6102
New Jersey	Homeowners age 65 & older	$5,000 (exclusive of social security benefits)	-	Deduction from tax bill of $160 or amount of tax liability whichever is less.	Reduction of tax bill. One half of cost of deduction reimbursed to municipality by the State Cost - NA	1953 (local) 1971 (State-local)	Ch. 172 (Laws 1968 Sec. 54.4-8.40 - 54.4- l Ch. 20 s 1971)
Pennsylvania	Homeowners age 65 & over; Widows age 50 & over; permanently disabled persons	$7,500	-	Relief ranges from 100% of tax (max.$200) when household income is less than $1,000 to 10% where such income is between $6,000 and $7,500.	State rebate only Maximum cost to state cannot exceed $60 million. Excess will be prorated.	1971	'ct No. 3 H.B. 12
Iowa	Homeowners 65 & older or totally disabled	$4,000	-	Deduction from tax bill of $125 or amount of tax liability whichever is less.	Reduction of tax bill. Cost of deduction paid by State to each taxing district.	1967	Ch. 356 (Laws 1967) Ch. 1208 (Laws 1970) H.F. 654 (Laws 1971)
West Virginia	Homeowners & renters age 65 & older	$5,000	12%	Relief based on ratio of property tax to household income. Property taxes exceeding a given percent of household income is remitted. These percents range from 0.5% to 4.5%. Tax relief is limited to $125.	Direct state payment	1972	Art. 25 Sec. 2,3

State

New Mexico

Applicable to tax years beginning on or after January 1, 1972, a resident individual filing a return and not claimed as a dependent is entitled to a credit for state and local taxes to which he has been subject during the tax year for after the return is filed. Taxpayers filing separately for a tax year in which they could have filed jointly may each claim only one-half of the credit allowable on the joint return. The credit may not be claimed by residents who were inmates of a public institution for more than six months of the tax year or by persons not physically present in the state for at least six months during the tax year. If the credit exceeds the taxpayer's income tax liability the excess will be refunded. The amount of the credit is as follows and is deductible from the taxpayer's income tax liability, if any (Ch.20, Laws 1972; Sec. 72-15A-11.1): Modified Gross Income means all income, undiminished by losses, and from whatever source derived.

Modified Gross Income		Total Exemptions for Federal Purposes					
Over	Not Over	1	2	3	4	5	6 or More
....	$ 500	$20	$21	$22	$26	$27	$41
$ 500	999	25	26	28	34	36	56
1,000	1,499	26	32	37	48	52	85
1,500	1,999	13	28	38	55	63	107
2,000	2,499	...	15	32	56	68	123
2,500	2,999	...	...	19	49	67	131
3,000	3,499	...	...	...	37	60	133
3,500	3,999	...	...	...	18	48	128
4,000	4,499	...	...	...	...	30	115
4,500	4,999	...	...	...	...	6	96
5,000	5,499	...	...	...	...	...	71
5,500	5,999	...	...	...	...	...	39

Illinois

Illinois has adopted a circuit-breaker program effective, January 1, 1973.

1

Household Income	Tax Burden Excessive When Exceeding Following Percents of Household Income	Percent of Excessive Burden Relieved
$ 0 -$1,000	0%	75%
1,000 - 1,500	5%	60%
1,500 - 2,000	10%	60%
2,000 - 5,000	14%	60%

a) The income constraint column indicates that the real estate taxes become an excessive burden in terms of household income when taxes or 25% of rent in lieu of taxes is in excess of the stated percents. 60% of the amount in excess of these stated percentages is relieved if household income exceeds $1,000. Program coverage is extended at age 60 or older to those totally and permanently disabled.

2 The Commissioner shall annually prepare and make available the local rate factors by arraying all municipalities according to their effective tax rate and dividing the population of the State into quintiles from such array with those having the lowest effective tax rates being in the first quintile. The local rate factors shall be as follows: first quintile, 1.0; second quintile, 1.1; third quintile, 1.2; fourth quintile, 1.3; fifth quintile, 1.4. The amount of property taxes or rent constituting property taxes used in computing the credit are limited to $300 per taxable year.

3 Net worth test of $20,000.

4 Persons born before March 1, 1891, with an income not over $3,000 are entitled to relief of the total amount of property taxes on their homestead up to a maximum of $400:

On any amount of Household Income Exceeding	But Not Exceeding	Fixed Percentage	Maximum Relief
$ 0	$1,500	3%	$400
1,500	3,000	4	400
3,000	4,500	5	300
4,500	6,000	6	300
6,000	8,000	7	200
8,000 and over	...	7	100

TABLE III. 1970 Estimated Cost of a "Circuit-Breaker" System to Protect Homeowners and Renters from Property Tax Overload Situations--The Rebate of A[illegible]sidential Property Taxes in Excess of Various Percentages of Household Income[1] (Dollar amou[illegible] millions)

Item	Total No. of home-owners and renters (000)	Over 4 percent: Homeowners & renters Number (000)	Over 4 percent: % of total	Over 4 percent: Est. cost of "circuit-breaker"	Over 5 percent: Homeowners & renters Number (000)	Over 5 percent: % of total	Over 5 percent: Est. cost of "circuit-breaker"	[illegible]: Number (000)	[illegible]: % of total	[illegible]: Est. cost	Over 7 percent: Homeowners & renters Number (000)	Over 7 percent: % of total	Over 7 percent: Est. cost of "circuit breaker"
All age groups													
Homeowners [2]	31,142	12,976	41.7	$3,793.3	9,592	30.8	$2,711.9	7,571	24.3	1,997.0	[illegible]	[illegible]	$1,460.7
Renters [3]	22,334	15,232	68.2	2,313.9	12,027	53.9	1,636.9	9,754	43.7	892.5	7,[illegible]	[illegible]	551.3
Total	53,476	28,208	52.7	6,107.2	21,619	40.4	4,348.8	17,325	32.4	2,889.5	13,520	[illegible]	[illegible]2.0
Age 65 or over													
Homeowners [2]	6,294	3,801	60.4	973.6	3,244	51.5	809.5	2,772	44.0	681.6	2,358	37.5	[illegible]
Renters [3]	3,848	3,287	85.4	414.4	3,010	78.2	313.3	2,728	70.9	232.6	2,396	62.3	[illegible]
Total	10,142	7,088	69.9	1,388.0	6,254	61.7	1,122.8	5,500	54.2	914.2	4,754	46.9	738.[illegible]
Under age 65													
Homeowners [2]	24,848	9,175	36.9	2,819.7	6,348	25.5	1,902.4	4,799	19.3	1,315.4	3,240	13.0	882.3
Renters [3]	18,486	11,945	64.6	1,899.5	9,017	48.8	1,323.6	7,026	38.0	659.9	5,526	29.9	391.4
Total	43,334	21,120	48.7	4,719.2	15,365	35.5	3,226.0	11,825	27.3	1,975.3	8,766	20.2	1,273.7

Column group heading: Number of homeowners and renters and est. cost of a "circ[illegible] [illegible]seholds with property taxes in excess of the following percentages of household income--

[1] For renters, the property tax equivalent amount is assumed to be 25 percent of gross rent.
[2] Limited to one-family homes on less than 10 acres and no business on property.
[3] Excludes one-family homes on 10 acres or more.

Source: ACIR staff estimates based on preliminary advance tabulations provided by the U.S. Bureau of the Census. These 1970 estimates are for one family owner occupied homes (31.1 million) and renter occupied units (22.3 million) due to limitation of data. The total number of families and unrelated individuals in 1970 was 66.1 million, and is estimated to be approximately 68.5 million in 1972. The 1970 est. total "circuit-breaker" costs (in billions) of: $6.1 @ 4%; $4.3 @ 5%; $2.9 @ 6%; and $2.0 @ 7% would rise to approximately $7.8; $5.5: $3.7: and $2.6 respectively for 1972 when the universe is expanded from 53.5 million household units to 68.5 million in order to include all families and unrelated individuals.

Advisory Commission on Intergovernmental Relations
September 14, 1972

CHAPTER III
ASSESSMENT

Property tax assessment, as noted earlier, is the process by which real estate is appraised, assigned a value for tax purposes and listed on a tax roll. Assessment practices vary widely from state to state. Poor assessment practices lead to inequitable tax burdens for individual taxpayers. When people consider a tax unfair, the task of winning their support for the activities financed by that tax is made more difficult. Reform in assessment administration should be a top priority for state legislatures designing new educational finance systems.

Assessment Quality

A basic premise in American government is that equals should be treated equally. In property tax administration this means that the same classes of property should receive the same treatment from assessors. If a $25,000 three-bedroom home is assessed at 30 percent of market value, so should any similar home. The poor should not be assessed at a higher rate than the wealthy.

Although most states set a certain percentage of market value as the legal rate of assessment, this standard is not necessarily met. Sales ratio studies, discussed below, can help determine if an assessor is complying with the legal rate in a given jurisdiction.

The average assessment ratio in each state is far below the legal standard. See Table D-1, (Appendix D). This would not be a critical factor if most of the properties in a district were assessed at the average ratio. Many properties are, however, assessed at much higher or lower ratios. An average assessment ratio of 30 percent could be made up of assessments which range from 10 percent of market value to 150 or 200 percent. A recent study found one district with assessments ranging from 1.0 percent to 550 percent of market value.[7] This range of assessment ratios can be measured by a *coefficient of dispersion.* This coefficient measures (in percentages) the average departure of individual assessments from the median or middle level of assessment. Low coefficients denote more uniform assessment. A 20 percent or lower dispersion coefficient has been used *by assessors* as a rule-of-thumb for acceptable assessment. (It is possible to achieve five percent with modern computer

technology. If a state has a 20 percent or lower coefficent, it does not therefore mean that property tax reform is not in order.) Twenty-six states had coefficients higher than 20 percent in 1966. See Table D-1 (Appendix D). While this seems to indicate poor assessment quality in over half the states, it should be noted that the coefficient of dispersion for the United States had dropped from 29.9 percent in 1956 to 19.2 percent in 1966. The Bureau of the Census is now compiling statistics for 1972 which will be published in June 1973.

Assessors

Full time professional assessors have long been considered essential to good property tax administration.[8] In states where assessors are elected, property tax administration can suffer from a lack of professionalism. Twenty-six states elect their local assessors. In nine other states, some assessors are elected while others are appointed. Two states have civil service appointed assessors (See Figure 5).

The states can upgrade the quality of assessment by requiring that assessors meet certain standards. Only nine states require that their assessors be certified. Nineteen states try to upgrade the quality of assessments by requiring that assessors undergo training either before or after taking office. In 28 states, there are no state requirements that assessors be trained or that they be certified by the state or a professional organization. Figures 6 and 7 identify the states which require certification and training of assessors.

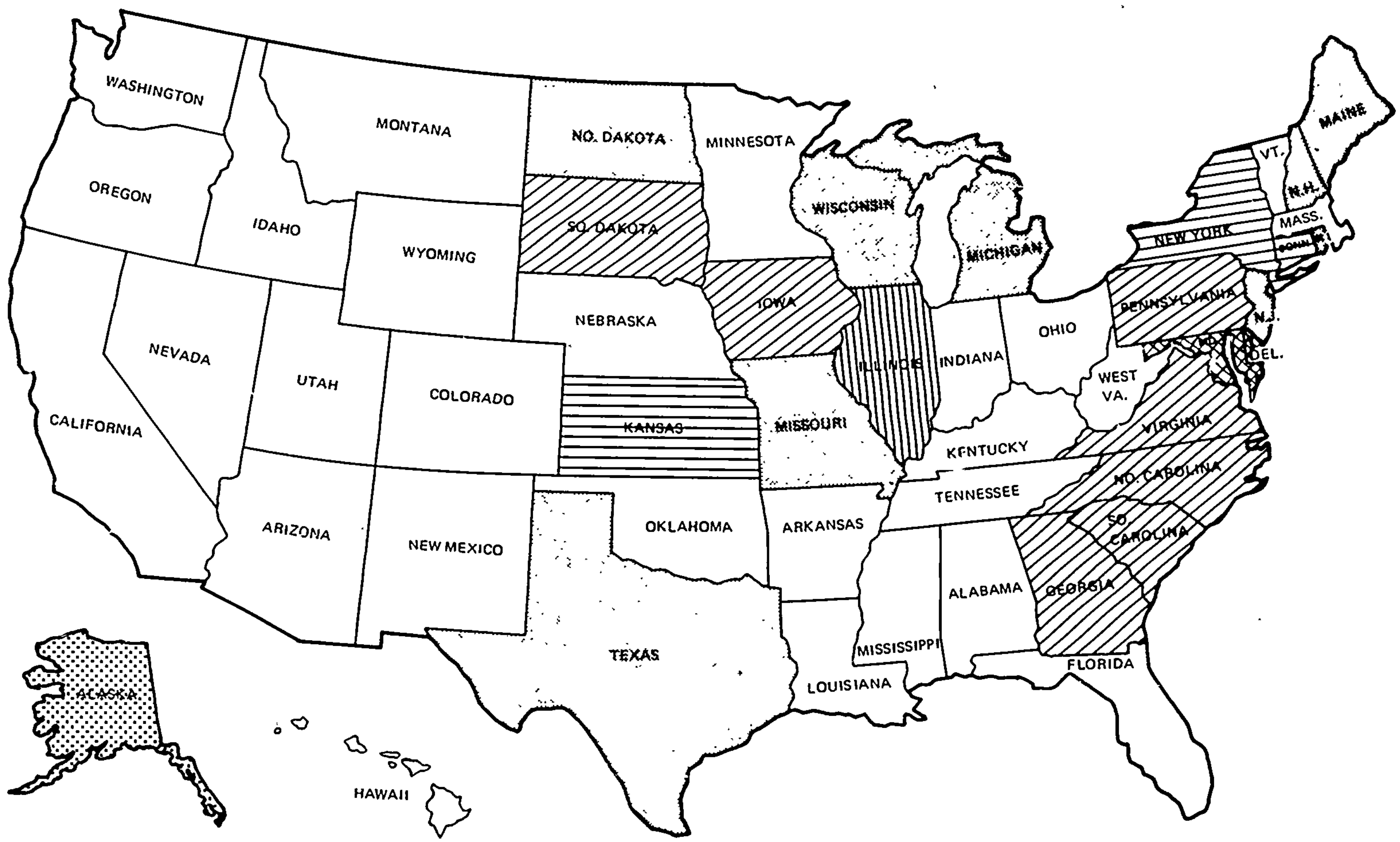
Fragmentation of Assessment Jurisdictions

Some states have so many assessing jurisdictions and assessors that it is impractical to have modern computer equipment in each jurisdiction. Small jurisdictions often cannot even afford to pay salaries required by professional assessors. Table D-2 (Appendix D) relates the number of local assessing jurisdictions to population and to locally-assessed taxable properties. Only five states have recently consolidated small assessing jurisdictions.

Assessment Maps

> The first requirement of a good assessment system is a complete set of tax maps. Maps are fundamental to the assessment of real estate; they help determine the location of taxable property, show the size and shape of each parcel of property and reveal its relation to the important features that affect value. Maps make it possible to discover and list all parcels of real estate in any taxing jurisdiction. Lack of maps can cause omissions, duplications, and errors in listing property ownership.[9]

Figure 5. *How Local Assessors Are Chosen, November, 1972.* In most states, assessors are elected.



1. Elected (26)
2. Appointed (7)
3. Civil Service (2)
4. 1 & 2 (9)
5. 1,2,3 (3)
6. 2 & 3 (1)
7. 1 & 3 (1)

In addition to appointed assessors, Virginia elects "Commissions of Revenue" who have limited assessment functions.
Hawaii has no local assessors.
Colorado has one county where the assessor is appointed.

Source – ECS – Survey.

Figure 6. *States Requiring Certification of Assessors, November, 1972.* Certification of assessors insures that assessors meet minimum standards in order to hold office.

Source — ECS — Survey.

States Requiring Certification of Assessors (9).

Michigan requires assessors to be certified to perform assessment function, not to hold office.

California requires real property appraisers and auditor appraisers to be certified.

Oregon certifies appraisers.

Minnesota requires certification after January 1, 1973.

Tax maps are important ingredients of an assessment improvement program. Twenty-one states do not require the use of assessment maps. This does not necessarily mean that some localities in those states do not have mapping programs. Seven of the states that require the use of maps have set minimum standards for those maps. See Figure 8. Aerial photography is a useful mapping technique which gives the assessor current information and which helps insure that all real properties are on the tax rolls. Many jurisdictions cannot afford the luxury of this technology.

Uniform Assessment Manuals

Most states publish uniform assessment manuals which prescribe assessment methods and formulas to insure that all property is uniformly assessed. Thirteen states do not publish such manuals. Of those states publishing uniform manuals, 11 *do not* require the assessor to use the formulas and methods prescribed in the publication. See Figure 9.

Assessment Ratio Studies

The fact that *sales ratio* studies are needed is an admission that assessment ratios are not usually at legally required levels. Ratio studies compare the assessed value of the properties in a district to the sale prices of recently sold properties in the district. If the studies are to be reliable, careful statistical procedures must be followed. The recent sales used in an analysis must be statistically representative of the district under study to make the results significant.

Sales in some types of neighborhoods or among some classes of property are not frequent enough to provide the information needed for analysis. Neither farm lands nor industrial sites, for example, are sold often enough to provide a good sample. This is sometimes true also of residential areas.

Sales samples can be supplemented with independent appraisals to provide roughly adequate samples. Stratified studies, which sample different property classes and neighborhoods, are of greater value than studies which rely entirely on general samples. Few districts are equipped to assess complex properties and therefore cannot produce stratified studies.

One tool an assessor can use to identify real property sales and selling prices is the information provided by a real estate transfer tax. The record of the transfer tax

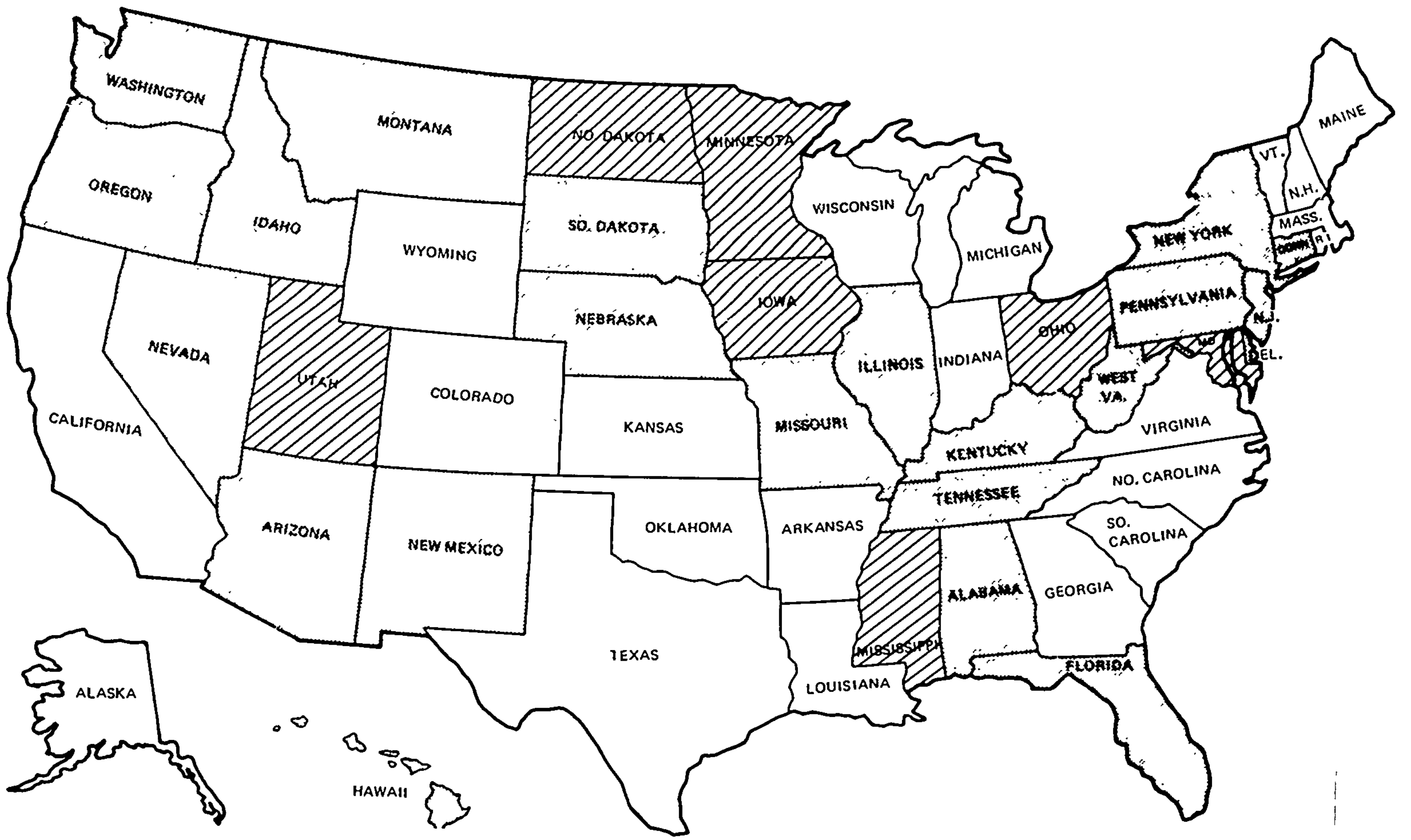
Figure 7. *States Requiring Assessor Training Either Before or After Assessor Takes office, November, 1972.* In many states, assessors need no training in order to hold office.

Minnesota requires training after January 1, 1973.
California requires training of real property appraisers and audit appraisers.
New York requires training only of appointed assessors.

States Requiring Training (20).

Source – ECS – Survey.

Figure 8. *The States Requiring Use of Tax Maps in Assessment Administration, November, 1972.* Tax maps identify all taxable property to prevent properties from going tax free.



States requiring assessors to use tax maps, no minimum map standards. (8).

States requiring assessors to use tax maps, minimum map standards. (22).

In Florida the legislature has required mapping with standards and aerial photography but has not yet appropriated the funds.

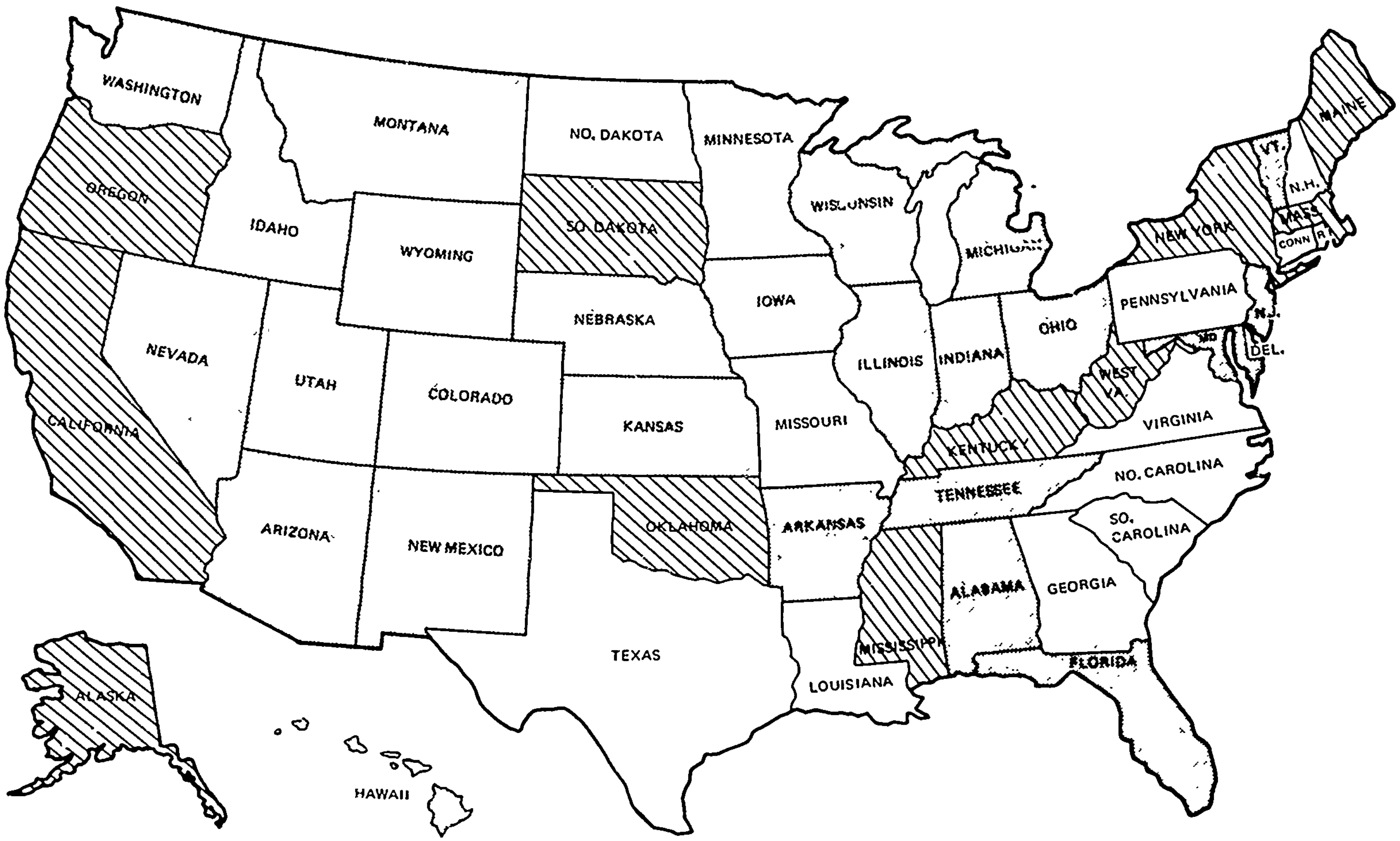
By 1980 New Hampshire will require maps in all assessment districts.

Virginia has standards for a voluntary mapping program.

Vermont and Indiana have programs pending.

Source – ECS – Survey.

Figure 9. *The Use of Uniform Assessment Manuals, November, 1972.* Assessment manuals prescribe uniform assessment methods.



States publishing uniform assessment manuals (11).

States publishing uniform assessment manuals and also requiring their use by assessors (26).

Missouri law requires manuals but program has not been funded.

Idaho publishes a manual in cooperation with Oregon.

Vermont assessors are required to use manuals only on reappraisals.

Source – ECS – Survey.

payment may either list the actual selling price or require revenue stamps from which the price can easily be calculated. Not all the states which use this tax provide that the sale price itself be listed. See Table D-3 (Appendix D). Some states which have no transfer tax require that the selling price in a transfer of property be recorded with the county clerk.

When sales ratio studies are used to equalize assessments and to calculate state aid formulas, it is important that they be as accurate as possible. When states subsidize localities with low assessed valuations, assessors may be under local pressure to keep assessed values down so that their localities will qualify for more aid. This would result in a smaller tax burden on the community.

States which have no effective power to regulate local assessment practices face a problem in getting assessors to assess at a uniform ratio. Possible reforms include:

1. Appointment of assessors on a merit basis.

2. Establishment of strong state controls over local assessment administration.

3. Imposition of a state tax rate inversely proportional to each locality's assessment ratio.[10]

4. Establishment of penalties for localities by cutting back on state aid when assessment ratios are too low. (This approach has the disadvantage of penalizing agencies of local government not responsible for assessment practices. Recent experience in Florida shows that the public may prefer to be penalized rather than have an increased assessment level.)

5. A requirement that assessment ratio studies be published and available to the taxpayer.

Figure 10 shows that nine states do not conduct ratio studies. Note that this does not mean that no jurisdictions within these states conduct such studies.

Figure 10. *States That Do Not Conduct Ratio Studies, 1972.* Ratio studies measure the performance of the assessor by comparing assessment levels in various jurisdictions.

States Not conducting ratio studies (9).

North Carolina law requires ratio studies.

Oklahoma discontinued studies in 1971.

South Carolina conducts studies for counties requesting state assistance with reassessment.

Of the states conducting studies Arizona, Idaho, Indiana, and Rhode Island do not publish the report for taxpayer use.

Source – ECS – Survey.

The Use of Electronic Data Processing Equipment

Proper use of electronic data processing equipment could revolutionize property tax administration. Computers have been used in many localities for quite some time in assisting the billing process as well as for data storage and retrieval. Computers can also be a valuable tool in conducting sales ratio studies, which assessors call "sales price/assessed value analyses." The machines are capable of handling very large amounts of information related to market value. They can process data on many more factors than is feasible without computers. Information generated in this way can be used not only as a measurement of assessment uniformity; it can also be used to test the quality of reappraisal work done by private firms. As in other areas of local government, however, available computers are under-used. In a 1971 survey of 136 jurisdictions using computers, only half were found making "sales price/assessed value analyses."[11]

A more recent development is the use of computers to assist in appraisals through a technique called *multiple regression analysis*. In this technique, a computer processes information on a large number of the factors which affect the selling price of property. The computer analyzes the changing information on these factors and produces an estimated selling price for any particular property. By using this technique, the bias of an assessor in determining property values can be greatly reduced. The technique also saves countless hours. In California, computerized assessment of single-family homes has produced coefficients of dispersion half as small as the nation's most accurate assessors have been able to achieve. Ninety percent of all computerized assessments are within five to ten percent of market value.[12] Nationally, out of 60 jurisdictions considered to have the potential for this technique, only eight are using it in assessment administration.[13]

The information generated by computers is only as reliable as the data put into the system. For local assessment officers to take advantage of the technology, they need both the equipment and trained personnel. In many jurisdictions, however the computer must be shared with other departments of government The assessor generally has the lowest priority. States could play an important role in this area by providing technical and financial assistance, and by promoting the exchange of successful computer programs among localities and among the states. But few states offer financial assistance to local assessment units for this purpose. Information on how best to utilize electronic data processing equipment in assessment administration is limited. States could promote more research in this area.

The State Role in Assessment Supervision

To insure equitable tax treatment and uniform assessment in all jurisdictions of a state, effective state supervision is needed. An effective state agency s' uld not only have the legal power to exercise control, it should also provide assistance, including training, to local jurisdictions. One useful area for assistance would be to have state assessors appraise and assess complex industrial properties. Local assessors do not have the expertise to appraise these properties accurately.

Actually, assessment quality could be greatly improved if the states would enforce their existing property tax laws more effectively. Often, however political pressure prevents state administrators and elected officials from enforcing these laws.

The states should give more he local jurisdictions to upgrade poor practices and low salaries. Only 15 states reported to ECS that they could give financial aid to local jurisdictions (see Figure 11).

To achieve uniform assessment, state supervisory agencies must have the authority to audit assessors and to discipline those who do not measure up to state standards. A state agency has no way of knowing the performance of local assessors if there is no mandatory standard reporting system. Only 14 states lack the power to order reassessments or to discover and c use to be assessed property omitted from local assessment (see Figure 12).

State Uses of Assessed Valuation

Assessed value is the value assessors place on property for tax purposes. In most states there are laws that require that these figures be used for other purposes.

> Assessed values should be used only as a base for property taxes; constitutional and statutory requirements that they be used for other purposes should be abolished.
>
> James A. Maxwell, Brookings Institution

Locally assessed valuations have long been used as a basis for limiting local debt and local tax rates. When assessments are used in this way, localities which assess at a low ratio are limited more by the provision than jurisdictions assessing at a high ratio. Fifteen states base school-debt limitations on local assessed valuation. See Table D-4 (Appendix D). Some states distribute aid to local governments in inverse

Figure 11. *States Where State Financial Aid is Available to Upgrade Local Assessment Practices*, November, 1972.*

Source – ECS – Survey.

States where State financial aid is available to upgrade local assessment practices (16).

*Many states not indicated here give technical aid to local assessors.
New York has aid to complete mapping program only.
Hawaii does not apply.

Figure 12. *Power of State Tax Agency to Oversee Local Assessment Administration, November, 1972.*
State Property tax agencies need the power to enforce uniform assessment.

Hawaii has no local assessors.

- States where state agency can order reassessment of local property (5).
- States where state agency can discover and cause to be assessed property omitted from local assessment (2).
- State agencies that can do both of the above (28).

Source – ECS Survey.

proportion to their assessed valuations presumably to equalize resources. This practice encourages competitive under-assessment distorting the picture of local taxing effort. As states assume more of the costs of running the local schools it becomes more important that educational revenue be allocated on a basis other than local assessed value. *If the level of assessment in a locality drops substantially while tax and debt limits remain the same, the assessor has in effect reduced total borrowing and taxing power by the amount of the assessment drop.*

If local property values are to remain in tax-rate and debt limitation formulas. and if they are to be used as a basis for equalizing resource disparities, the states should consider a wholesale overhaul of local assessment practices. The power of the assessor to set borrowing and taxing limits should be eliminated. One way the states could achieve this would be to base limits on an equalized valuation (adjusted for different levels of assessment). Figure 13 shows which states use ratio studies to adjust assessment levels in determining state school aid. Another alternative is to base debt limitations on a certain percentage of all taxes levied in a jurisdiction during the previous two to five years. Under this method, debt limits could grow in proportion to increases in tax revenues.

Summary of Assessment

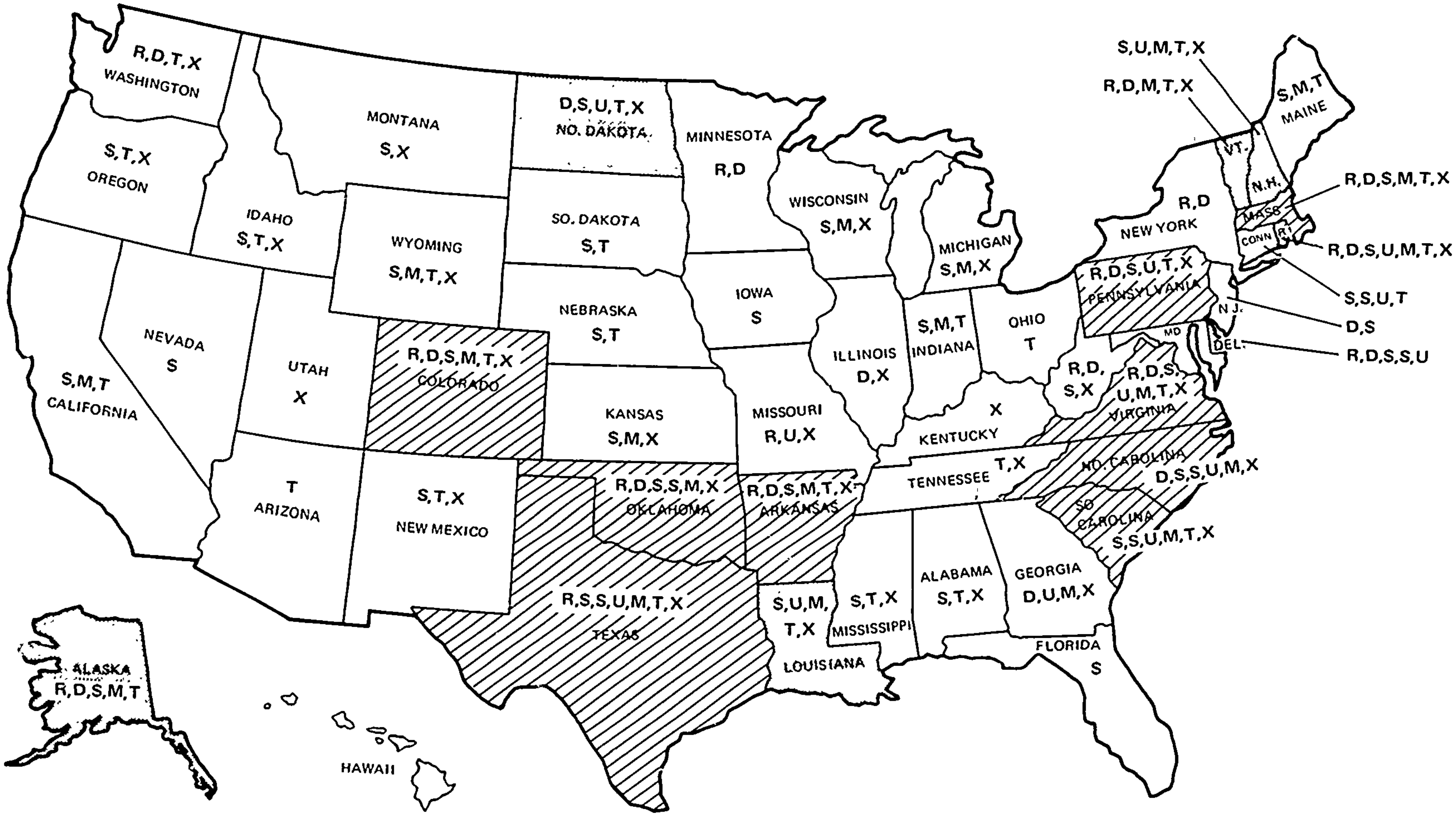
This chapter has shown that assessment practices are inadequate. Figure 14 summarizes the information presented in Figures 5 through 13. Each of the problems ˙scussed is within the power of state legislatures to rectify. States should consider studying the systems used in New York, Maryland, California and Arizona, as well as the problems these states have encountered. They are among the states that have taken steps in recent years to improve assessment quality. While improvement programs are underway in a number of states, all states could profit by sharing their experiences with each other.

Figure 13. *States Where Assessment Ratio Studies Are Used in the Apportionment of School Aid Formulas.* Varying levels of assessment should be taken into consideration when apportioning state aid.

Source – Advisory Commission on Intergovernmental Relations, *State-Local Finance: Significant Features and Suggested Legislation,* 1972 ed.

States where assessment ratio studies are used in the appointment of school aid formulas (28).

Figure 14. *A Summary of State Assessment Practices, November, 1972.*



Hawaii was not compared.

- States where six or more of these conditions exist (9).
- States where five of these conditions exist (7).

Source - ECS – Survey.

R States not able to order reassessment
D States not able to discover and assess omitted property
S States not granting aid to upgrade local practices
S States not conducting sales ratio studies
U States not publishing uniform assessment manuals
M States not requiring maps
T States not requiring assessor training or certification
X States not regularly assessing exempt properties

CONCLUSION

School revenue systems in the states suffer because of poorly drawn laws, inadequate laws and antiquated laws dealing with real property taxation. They have also suffered because of the manner in which the laws are administered.

Exemptions have eroded tax bases, thus requiring higher rates to be levied on non-exempt property. Some exemptions become worth more than intended by law because of differences in assessment levels. Most states do not assess exempt property and hence the potential tax value of exemptions is not known.

Few states require local assessors to use the basic tools which would promote uniformity in assessment levels. Among those tools are tax maps and assessment manuals. State supervision of local practices is generally of low quality because most states have not assumed the power to order reassessment. Many states do not conduct ratio studies to check on the quality of assessments. The states have not been granting financial aid to upgrade local practices.

With the installation of computer equipment in local jurisdictions improvement in assessment uniformity can be expected. More research into computer application for property tax assessment is needed. There is also a need for research on the methods and techniques used in property appraisal and assessment. Little is known about the effects of various methods on assessment quality and uniformity. Nor, is much known about the difference in the performance of politically appointed assessors and elected or merit-system assessors.

A word of caution is appropriate as states undertake to reform and upgrade property tax and assessment administration. Several states have enacted assessment reform laws. The appearance of these laws on the books is not going to make much difference unless two things happen simultaneously. Legislatures must appropriate funds to implement the reform programs. It would be useless to require tax maps, for example, without funding a mapping program. Likewise, reform will not take place unless legislatures make certain that their laws are being enforced at the local level. Part of the enforcement can come from an effective state property tax agency. In addition, a legislative audit of the reform program should be made at least annually.

NOTES

[1]*State School Finance and Tax-Related Constitutional Amendments, Research* Brief No. 2 (Denver: Education Commission of the States, September 20, 1972).

[2]Jesse Burkhead, *State and Local Taxes for Public Education* (Syracuse, N.Y.: Syracuse University Press, 1963), pp. 70, 105.

[3]For an extensive discussion of "power equalizing" see John E. Coons, William H. Clune III, and Stephen D. Sugarman, *Private Wealth and Public Education* (Cambridge, Massachusetts: Belknap Press of Harvard University, 1970), pp. 201-242.

[4]Alfred Balk, *The Free List: Property Without Taxes* (New York: The Russell Sage Foundation, 1971), pp. 10-19.

[5]Balk, *The Free List*, pp. 24-55.

[6]Balk, *The Free List*, pp. 127-145.

[7]*A Study of Louisiana Ad Valorem Tax and Property Tax Relief Fund* (Baton Rouge, Louisiana: Gulf South Research Institute, August 17, 1972), p. 30.

[8]*Assessment Principles*, Final Report of the Committee on Principles of Assessment Practice (Chicago: National Association of Assessing Officers, 1938), p. 19.

[9]Committee on Minimum Assessment Standards, *Report on Minimum Assessment Standards*, (Chicago: International Association of Assessing Officers, 1963), pp. 2-3.

[10]Ronald B. Welch, Assistant Executive Secretary, Property Taxes, California State Board of Equalization, at the 40th Annual Meeting of the National Association of Tax Administrators, St. Paul, Minnesota, June 15, 1972.

[11]International Association of Assessing Officers (IAAO), "Computer Usage in Assessing Offices," March 1972, pp. 3-4. For an extensive bibliography of computer use in assessment administration see: *Bibliography: Computer Analysis of Real Estate* (Chicago: IAAO, February, 1972).

[12]Ronald B. Welch, "Property Taxation: Policy Potentials and Probabilities," in Arthur D. Lynn (ed.) *The Property Tax and Its Administration* (Madison: University of Wisconsin, 1969).

[13]International Association of Assessing Officers, "Computer Usage in Assessing Offices," pp. 3-4.

REFERENCES

U.S. Advisory Commission on Intergovernmental Relations. *State-Local Revenue Systems and Educational Finance.* Washington, D.C.: The President's Commission on School Finance, 1971.

U.S. Advisory Commission on Intergovernmental Relations. A Commission Report, *The Role of the States in Strengthening the Property Tax,* 2 vols. Washington, D.C.: U.S. Government Printing Office, June, 1963.

Eckstein, Otto. *Public Finance.* 2nd ed. Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1967.

Jancsek, Joel P. *Property Tax Assessment Applications of Multiple Regression Analysis in California.* Berkeley, California: Center for Real Estate and Urban Economics, Institute of Urban and Regional Development, 1972.

Maxwell, James A. *Financing State and Local Governments.* Washington, D.C.: The Brookings Institution, 1969.

National Tax Association, "Report of the Committee on Model Tax Assessment and Equalization Methods on Property Tax Policy," in *Proceedings of the National Tax Association, 1964.*

Netzer, Dick. *The Economics of the Property Tax.* Washington, D.C.: The Brookings Institution, 1966.

Shultz, William J., and Harriss, Lowell C. *American Public Finance.* 6th ed. Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1956.

APPENDIX A

This appendix is referred to in the Introduction. Table A-1 shows, for each state, the ratio of assessed valuation per pupil in the most "wealthy" school district to that of the "poorest" school district. Table II presents the results of an opinion poll among state educational and political leaders concerning the desirability of the property tax as a school revenue device. A majority of the respondents favored retention of local property taxes as one educational revenue source.

TABLE A-1. Ratio of Assessed Valuation Per Pupil in School District with Largest Valuation Per Pupil to That in District With Smallest Valuation Per Pupil for Each State, 1968-69.

Alabama	4.5/1
Alaska	3.9/1
Arizona	22.2/1
Arkansas	10.7/1
California	24.6/1
Colorado*	11.4/1
Connecticut	5.7/1
Delaware	5.5/1
Florida	9.3/1
Ge gia	4.7/1
Hawaii	1/
Idaho*	3.0/1
Illinois*	20.1/1
Indiana	17.4/1
Iowa	5.2/1
Kansas	182.8/1
Kentucky	8.6/1
Louisiana*	13.5/1
Maine	11.2/1
Maryland	2.8/1
Massachusetts	10.4/1
Michigan	30.0/1
Minnesota	5.2/1
Mississippi	5.2/1
Missouri*	29.6/1
Montana	3.1/1
Nebraska	19.0/1
Nevada	4.0/1
New Hampshire	4.5/1
New Jersey	10.5/1
New Mexico	21.4/1
New York	84.2/1
North Carolina	3.2/1
North Dakota*	1.7/1
Ohio	10.7/1
Oklahoma	22.4/1
Oregon	5.3/1
Pennsylvania	10.5/1
Rhode Island	2.2/1
South Carolina	8.8/1

TABLE A-1 - Continued

South Dakota	9.7/1
Tennessee	9.5/1
Texas*	45.1/1
Utah	8.6/1
Vermont	3.3/1
Virginia	6.8/1
Washington	12.5/1
West Virginia	3.6/1
Wisconsin	77.9/1
Wyoming*	6.1/1

*Locally assessed valuation is used for these States. Otherwise, equalized assessed valuation is used.

1/Property tax revenues not used to support education in Hawaii.

Source: President's Commission on School Finance, Review of Existing State School Finance Programs, Vol. II, 1972.

TABLE A-2. Opinions of Educational and Political Leaders on the Use of the Property Tax in Financing Education, 1971.

Question #L7: To equalize school resources and local tax rates among school districts within a state, the local school property tax should be abolished and all school tax income should be derived from state and federal sources. (Disagree)

RESPONSES BY REGION	No.	Percent A	D	U	N.R.
New England	40	23	68	7	2
Middle Atlantic	52	17	67	16	0
Great Lakes	39	18	77	5	0
Southeast	85	12	81	7	0
Plains	55	15	74	11	0
Southwest	27	15	59	22	4
Mountain	36	19	59	19	3
Far West	34	29	53	12	6
RESPONSES BY POSITION					
State Governor	33	15	76	3	6
State Legislator	86	20	67	11	2
Chief State School Officer	41	7	86	7	0
Pres. State Assoc. of Sch. Admin.	46	28	50	22	0
Pres. State Assoc. of Sch. Boards	29	14	76	10	0
State School Board Member (NASBE)	43	16	79	5	0
P.T.A. Representative	40	17	62	21	0
Pres. State Teachers' Assoc. (NEA)	36	17	77	3	3
Federal Official	14	14	50	36	0
TOTAL RESPONSES	368	18	70	11	1

Question #L8a: To make school resources more nearly equal and, at the same time, preserve the fiscal basis for local control, the local school property tax should be retained to pay part of the cost of programs required by the state. (Yes)

RESPONSES BY REGION	No.	Percent Yes	No	N.R.
New England	40	62	28	10
Middle Atlantic	52	61	27	12
Great Lakes	39	74	21	5
Southeast	85	71	20	9
Plains	55	80	20	0
Southwest	27	52	48	0
Mountain	36	61	39	0
Far West	34	32	62	6
RESPONSES BY POSITION				
State Governor	33	67	27	6
State Legislator	86	72	23	5
Chief State School Officer	41	73	20	7
Pres. State Assoc. of Sch. Admin.	46	48	48	4
Pres. State Assoc. of Sch. Boards	29	76	21	3
State School Board Member (NASBE)	43	63	35	2
P.T.A. Representative	40	60	37	3
Pres. State Teachers' Assoc. (NEA)	36	56	33	11
Federal Official	14	57	14	29
TOTAL RESPONSES	368	64	30	6

Note: A = Agree
D = Disagree
U = Undecided
N.R.= No Responses

Question #L8b: To make school resources more nearly equal and, at the same time, preserve the fiscal basis for local control, the local school property tax should be retained to finance local supplementary programs. (Yes)

RESPONSES BY REGION	No.	Percent Yes	Percent No	N.R.
New England	40	70	25	5
Middle Atlantic	52	69	15	16
Great Lakes	39	90	3	7
Southeast	85	75	12	13
Plains	55	91	9	0
Southwest	27	89	11	0
Mountain	36	86	8	6
Far West	34	73	15	12
RESPONSES BY POSITION				
State Governor	33	79	12	9
State Legislator	86	79	13	8
Chief State School Officer	41	83	7	10
Pres. State Assoc. of Sch. Admin.	46	87	9	4
Pres. State Assoc. of Sch. Boards	29	83	14	3
State School Board Member (NASBE)	43	84	11	5
P.T.A. Representative	40	70	18	12
Pres. State Teachers' Assoc. (NEA)	36	78	14	8
Federal Official	14	64	14	22
TOTAL RESPONSES	368	80	12	8

Question #L8c: To make school resources more nearly equal and, at the same time, preserve the fiscal basis for local control, the local school property tax should be retained to finance school building programs. (Yes)

RESPONSES BY REGION	No.	Percent Yes	Percent No	N.R.
New England	40	28	65	7
Middle Atlantic	52	39	44	17
Great Lakes	39	82	18	0
Southeast	85	70	15	15
Plains	55	85	11	4
Southwest	27	81	19	0
Mountain	36	72	20	8
Far West	34	47	35	18
RESPONSES BY POSITION				
State Governor	33	70	18	12
State Legislator	86	64	24	12
Chief State School Officer	41	56	27	17
Pres. State Assoc. of Sch. Admin.	46	65	35	0
Pres. State Assoc. of Sch. Boards	29	76	17	7
State School Board Member (NASBE)	43	72	23	5
P.T.A. Representative	40	53	35	12
Pres. State Teachers' Assoc. (NEA)	36	61	31	8
Federal Official	14	43	36	21
TOTAL RESPONSES	368	63	27	10

Note: N.R. = No Response

Source: As part of a report to the President's Commission on School Finance, the Education Commission of the States conducted a national survey on the opinions of informed and concerned political and educational leaders in the area of intergovernmental relations and the governance of education. The preceding four questions and responses are taken from that survey published in Russell B. Vlaanderen and Erick L. Lindman, Intergovernmental Relations and the Governance of Education, (Washington, D.C., The President's Commission on School Finance, October 29, 1971), appendix A.

APPENDIX B

Tables B-1, B-2 and B-3 illustrate the amount of revenue currently being produced in the states by property taxes. Table B-4 gives the percentage of local property taxes going to support schools. Tables B-5 and B-6 compare the relative burden of the property tax in the states by using two different measures.

Table B-5 uses the *average effective rate*, the percent of market value which a property owner actually pays in taxes. For example, if a property owner pays $300 a year on a property which is assessed at $15,000 and taxed at a rate of 2 percent (or 20 mills) in a locality assessing at 50 percent of market value, his effective tax rate on a $30,000 property is $300 divided by $30,000, or 1 percent. Table B-6 compares residential property tax collections with total state personal income.

TABLE B-1

Property Tax as a Percentage of Total State-Local Taxes, Ranking by State, 1970
Property taxes account for nearly 40% of our state and local taxes.

	UNITED STATES	39.2
1.	New Hampshire	62.3
2.	South Dakota	55.0
3.	Montana	54.3
4.	New Jersey	54.1
5.	Nebraska	52.6
6.	Kansas	51.2
7.	Massachusetts	50.3
8.	Connecticut	49.2
9.	Iowa	48.9
10.	Wyoming	47.5
11.	Oregon	47.2
	Ohio	47.2
13.	Indiana	47.0
14.	California	46.9
15.	North Dakota	46.6
16.	Maine	45.7
17.	Wisconsin	43.4
18.	Colorado	42.7
19.	Illinois	41.2
20.	Rhode Island	40.5
	Texas	40.5
22.	Michigan	40.3
23.	Missouri	40.1
24.	Arizona	38.9
25.	Minnesota	38.7
26.	New York	36.4
	Idaho	36.4
28.	Utah	36.0
29.	Washington	35.1
30.	Vermont	34.9
31.	Nevada	34.4
32.	Florida	34.0
33.	Maryland	32.4
34.	Georgia	30.5
	Oklahoma	30.5
36.	Pennsylvania	29.5
37.	Virginia	28.3
38.	Tennessee	27.5
39.	Arkansas	25.8
40.	North Carolina	25.3
41.	Alaska	24.2
42.	Mississippi	24.1
43.	West Virginia	23.3
44.	Kentucky	22.9
45.	New Mexico	22.7
46.	South Carolina	22.4
47.	Louisiana	19.8
48.	Delaware	18.6
49.	Hawaii	17.2
50.	Alabama	15.2

Source--ECS ranking from ACIR data in an unpublished report dated August 31, 1971 by permission.

TABLE B-2

Percentage of State-Local General Revenue from Property Taxes, Ranking by State, 1970
Revenue from sources other than taxation such as Federal aid reduce the dependency on property taxes.

	UNITED STATES	26.1
1.	New Hampshire	41.6
2.	New Jersey	40.1
3.	Massachusetts	37.0
4.	Connecticut	36.7
5.	Nebraska	34.0
6.	South Dakota	33.6
7.	Iowa	33.5
8.	Kansas	33.3
9.	Indiana	31.9
	Maine	31.9
11.	Wisconsin	31.8
12.	Montana	31.7
13.	Ohio	31.4
14.	California	30.7
15.	Illinois	30.5
16.	Oregon	28.3
17.	Michigan	27.5
18.	Rhode Island	27.4
19.	Colorado	26.8
20.	New York	26.7
21.	Missouri	26.2
22.	North Dakota	25.8
23.	Texas	25.2
24.	Minnesota	25.1
25.	Arizona	25.0
26.	Maryland	23.1
27.	Wyoming	23.0
28.	Vermont	22.8
29.	Florida	22.4
	Idaho	22.4
31.	Washington	22.1
32.	Pennsylvania	21.1
33.	Nevada	20.9
34.	Utah	20.8
35.	Virginia	18.7
36.	Georgia	18.2
37.	North Carolina	16.7
38.	Oklahoma	16.2
	Tennessee	16.2
40.	Arkansas	14.3
41.	South Carolina	14.1
42.	Mississippi	13.7
43.	Kentucky	13.5
44.	West Virginia	13.3
45.	Delaware	12.1
46.	New Mexico	11.3
47.	Louisiana	11.2
48.	Hawaii	11.1
49.	Alabama	7.9
50.	Alaska	2.4

Source--Ranking by ECS from data found in AICR, State Local Revenue Systems and Educational Finance (Washington, D.C.: The President's Commission on School Finance, November 12, 1971)-- Appendix D, Table 9.

TABLE B-3

Per Capita Property Tax Collections, Ranking by State, 1970

	UNITED STATES	$168
1.	California	262
2.	Massachusetts	250
3.	New Jersey	242
4.	Connecticut	238
5.	New York	237
6.	Wisconsin	221
7.	South Dakota	219
8.	Montana	216
9.	Iowa	213
10.	Nebraska	209
11.	New Hampshire	207
12.	Wyoming	206
13.	Kansas	202
14.	Illinois	201
15.	Oregon	189
16.	Michigan	184
17.	Colorado	179
18.	Nevada	178
19.	North Dakota	175
20.	Maine	174
21.	Minnesota	171
22.	Indiana	168
23.	Arizona	166
24.	Rhode Island	165
25.	Vermont	164
26.	Ohio	162
27.	Maryland	156
28.	Washington	155
29.	Missouri	137
30.	Utah	135
31.	Texas	128
32.	Idaho	127
33.	Pennsylvania	119
34.	Florida	118
35.	Alaska	102
36.	Hawaii	98
37.	Virginia	96
38.	Georgia	95
39.	Oklahoma	93
40.	Delaware	84
41.	New Mexico	81
42.	North Carolina	79
43.	Tennessee	77
44.	Mississippi	71
45.	West Virginia	70
46.	Kentucky	69
47.	Louisiana	65
	Arkansas	65
49.	South Carolina	61
50.	Alabama	39

Source--ECS ranking from ACIR data in an unpublished report dated August 31, 1971 by permission.

TABLE B-4

Estimated Local Property Taxes for Schools As a Percentage of Total Local Property Taxes, Ranking by State, 1970

	UNITED STATES	51.7
1.	Kentucky	74.5
2.	Ohio	71.5
3.	Minnesota	71.4
4.	Wyoming	70.7
5.	Indiana	70.5
6.	Oregon	68.7
7.	Arkansas	67.3
8.	Arizona	63.7
9.	South Carolina	63.4
	Washington	63.4
11.	Oklahoma	63.1
12.	Maryland	63.0
13.	Missouri	62.3
14.	Michigan	62.0
15.	South Dakota	61.5
16.	Georgia	61.3
17.	West Virginia	60.1
18.	Pennsylvania	58.1
19.	Colorado	55.7
20.	Kansas	55.6
21.	New Hampshire	55.4
22.	Nebraska	54.9
23.	New Jersey	54.8
24.	Illinois	53.2
25.	Iowa	51.9
26.	Idaho	51.7
27.	Virginia	51.2
28.	Delaware	50.5
29.	California	49.8
30.	Montana	49.7
31.	Wisconsin	49.6
32.	Utah	49.5
33.	Rhode Island	46.6
34.	Texas	46.4
35.	Connecticut	44.8
36.	New York	44.8
37.	Tennessee	44.7
38.	Nevada	43.8
39.	North Dakota	43.6
40.	Florida	42.8
41.	New Mexico	40.4
42.	Massachusetts	39.0
43.	Alabama	38.8
44.	Vermont	38.7
45.	Maine	38.0
46.	Louisiana	37.0
47.	Mississippi	33.9
48.	North Carolina	26.4
49.	Alaska	25.5
50.	Hawaii	

Source--ECS ranking from data found in ACIR, State-Local Rev[illegible]ue Systems and Educational Finance (Wash[illegible]n, D.C.: The President's Commission on [illegible]ool Finance, November 12, 1971). Table C-1.

TABLE B-5

Average Effective Property Tax Rate (expressed as a Percent of Market Value) on Residential Property: Single-Family Homes with FHA Insured Mortgages, Ranking by State, 1971

	UNITED STATES	1.98
1.	Nebraska	3.15
2.	New Hampshire	3.14
3.	Massachusetts	3.13
4.	New Jersey	3.01
	Wisconsin	3.01
6.	New York	2.72
7.	South Dakota	2.71
8.	Iowa	2.63
9.	Vermont	2.53
10.	California	2.48
11.	Colorado	2.45
12.	Maine	2.43
13.	Connecticut	2.38
14.	Oregon	2.33
15.	Maryland	2.24
16.	Rhode Island	2.21
17.	Montana	2.19
18.	Kansas	2.17
19.	Pennsylvania	2.16
20.	Illinois	2.15
21.	North Dakota	2.08
22.	Minnesota	2.05
23.	Michigan	2.02
24.	Indiana	1.96
25.	Texas	1.91
26.	Missouri	1.79
27.	Idaho	1.72
28.	New Mexico	1.70
29.	Arizona	1.65
30.	Washington	1.62
31.	Alaska	1.61
32.	North Carolina	1.58
33.	Tennessee	1.53
34.	Utah	1.49
35.	Nevada	1.48
36.	Ohio	1.47
37.	Georgia	1.44
38.	Florida	1.41
39.	Wyoming	1.38
40.	Oklahoma	1.33
41.	Virginia	1.32
42.	Kentucky	1.27
43.	Delaware	1.26
44.	Arkansas	1.14
45.	Mississippi	0.96
46.	South Carolina	0.94
47.	Hawaii	0.92
48.	Alabama	0.85
49.	West Virginia	0.69
50.	Louisiana	0.56

Source: Rankings by ECS from data found in an unpublished ACIR report dated August 1972 by permission.

TABLE B-6

Residential Property Tax Collections as a Percent of State Personal Income, Ranking by State, 1970

	UNITED STATES	2.13
1.	New Hampshire	3.68
2.	Massachusetts	3.56
3.	New Jersey	3.53
4.	Connecticut	3.23
5.	California	3.03
6.	New York	2.98
7.	Wisconsin	2.80
8.	Maine	2.63
9.	Oregon	2.44
10.	Vermont	2.39
11.	South Dakota	2.37
12.	Rhode Island	2.32
13.	Colorado	2.28
14.	Illinois	2.20
15.	Maryland	2.17
	Minnesota	2.17
17.	Pennsylvania	2.15
18.	Michigan	2.11
19.	Nebraska	1.92
20.	Iowa	1.86
21.	Florida	1.72
22.	Missouri	1.71
	Arizona	1.71
24.	Ohio	1.69
25.	Indiana	1.65
26.	Kansas	1.55
27.	Tennessee	1.47
28.	Nevada	1.41
29.	Delaware	1.38
	Utah	1.38
	Virginia	1.38
32.	Washington	1.36
	Hawaii	1.36
	Alaska	1.36
35.	Montana	1.28
	Texas	1.28
37.	North Dakota	1.19
38.	Georgia	1.07
39.	Idaho	1.00
40.	North Carolina	0.99
41.	Oklahoma	0.95
42.	Kentucky	0.90
43.	West Virginia	0.84
44.	Wyoming	0.76
45.	Arkansas	0.73
46.	New Mexico	0.63
47.	Alabama	0.50
48.	Mississippi	0.47
49.	South Carolina	0.38
50.	Louisiana	0.27

Source: Rankings by ECS from data found in an unpublished ACIR report dated August 1972 by permission.

APPENDIX C

Appendix C presents state-by-state information on business personal property exempted from taxation. The tables supplement Chapter II, Exemptions.

TABLE C-1. State Legislation Exempting Business Personalty from Taxation or Reducing the Business Personal Property Tax, January 1, 1972.
Exemptions reduce the yield of property taxes.

State	Type of Legislation	Legal Citation
Alabama	1. Exempts raw materials used in textile manufacturing.	Act 2405, Laws of 1971.
	2. Exempts nuclear fuel assemblies used in the production of electricity.	Act 2488, Laws of 1971.
Arizona	1. Exempts wholesalers' and retailers' inventories.	Amendment of Constitution, Art. 9, Sec.2, adopted 11/3/64.
	2. Freeport Law.[1]	Arizona Revised Statutes, Sec. 42-631.
California	Exempts 30% of the assessed value of business inventories for the fiscal years 1970-71 and 1971-72. (30% exemption extended indefinitely).	S.C.A. 1, 1st. Spec. Sess., Laws of 1968. (chap. 1526, Laws of 1969).
Colorado	1. Reduces the assessment of freeport merchandise to 5% (assessment ratio for all other taxable property standardized at 30%).	Chap. 290, Laws of 1965 (Colorado Revised Statutes, Sec. 137-1-4).
	2. Reduces the assessment of the stocks of merchandise of a manufacturer or merchant by 5% a year (from 30% in 1968) to 5% for 1973 and each year thereafter.	Chap. 370, Laws of 1967 (Colorado Revised Statutes, Sec. 137-5-9).
Connecticut	1. Gradually exempts manufacturers' inventories (assessments reduced by 10% a year, from 40% in 1970 until fully exempt by 1976).	Chap. 461, Laws of 1965 (General Statutes of Connecticut, Revision of 1958, Sec. 12-81); chap. 630, Laws of 1969.
	2. Exempts the monthly average quantity of goods of any wholesale and retail business to the extent of 1/12 of the value of the goods for the purposes of assessment in the year 1971, increasing by 1/12 each year until fully exempt in 1982 and each year thereafter.	Chap. 657, Laws of 196o.
	3. Freeport Law.[1]	Chap. 603, Laws of 1965 (General Statutes of Connecticut, Sec. 12-19.1-12-91.3).

TABLE C-1 - Continued

State	Type of Legislation	Legal Citation
Delaware	All tangible and intangible personal property is exempt.[2]	Delaware Code of 1953, Sec. 8102, Title 9 and Sec. 102 (a), Title 30.
Florida	Inventories are assessed at 25% of just valuation.	Chap. 367, Laws of 1967 (Florida Statutes Sec. 192.05).
Georgia	1. Motor vehicles in dealers' inventories are assessed at 75% of the assessed value of other motor vehicles.	Act 52, Laws of 1967(Georgia Code of 1933, Sec. 92-111A).
	2. Freeport Law.	Act 693, Laws of 1969 (Georgia Code of 1933, Secs. 92-107.1 and 92-107.2).
Hawaii	1. Personal property tax repealed in 1947.	
	2. Exempts machinery and allied equipment used primarily to manufacture or produce tangible personal products (assessed as real property).	Act 120, Laws of 1967 (Revised Laws of Hawaii, 1955, Sec. 128-21.6).
Idaho	1. Freeport law broadened to include goods manufactured in Idaho and destined for out-of-State shipment.	Chap. 173, Laws of 1963 (Idaho Code, 1947, Sec. 63-105V).
	2. Gradually exempts business inventories (assessment reduced by 25% a year, beginning in 1968, until fully exempt by 1971).	H.B. 243, Laws of 1967.
Illinois	Freeport Law.[1]	H.B. 1319, Laws of 1963 (Illinois Statutes, Revenue Act of 1939, Sec. 19-21).
Indiana	Freeport law broadened to include goods shipped into State with a within-State destination, when held in a public or private warehouse.	Chap. 57. Laws of 1971, and Chap. 398, Laws of 1965 (Indiana Statutes, Property Assessment Act of 1961, Sec. 503 and Sec. 503b).

TABLE C-1 - Continued

State	Type of Legislation	Legal Citation
Iowa	1. Taxpayers liable for Iowa property taxes are allowed a credit of $2,700 on the assessed value of their personal property.	Chap. 356, Laws of 1967; H.F. 400 Laws of 1969.
	2. Goods stored in a public warehouse and held for sale or resale.	Code of Iowa, Sec. 427.1 (29).
	3. Freeport Law.	Chap. 269, Laws of 1963 (Code of Iowa, Sec. 427.1 (30)).
Kansas	Freeport Law.	Chap. 456, Laws of 1963; Chap. 512, Laws of 1965 (General Statutes of Kansas, 1949, Sec. 79-304).
Kentucky	Personal property held in a public warehouse for trans-shipment is exempt from general property taxation but subject to a Statewide special property tax of 1½¢ per $100 of fair cash value.	Chap. 172, Laws of 1964; H.B. 320, Laws 1966 (K.R.S., 132.095).
Louisiana	Freeport Law.	Act 152, Laws of 1960 (Louisiana Revised Statutes, Title 47, Subtitle III, Chap. 3. Sec. 1951.3).
Maine	1. Freeport Law.	Maine Revised Statutes Annotated, 1964, Title 36, Chap. 105, Sec. 655.
	2. Exempts water and air pollution control facilities.	Chap. 524, Laws of 1971.
Maryland	1. Gradual phase-out of county property tax on manufacturer's personal property in Frederick County.	Chap. 475, Laws of 1963 (Annotated Code of Maryland, 1957, Art. 81, Sec. 9 (23)).
	2. Gradual phase-out of county property tax on business inventories in Carroll County, Hartford County, and Prince George's County.	1st Spec. Session; Chap. 4 and Chap. 113, Laws of 1965; Chap. 612, Laws of 1966, (Code Art. 81 Sec. 15 (b-2,b-3,b-4).
	3. General authorization for counties to eliminate or phase-out tax on business personal property.	H.B. 378, Laws of 1967.

TABLE C-1 - Continued

State	Type of Legislation	Legal Citation
Massachusetts	1. Freeport Law.	Massachusetts General Law of 1932, Chap. 59, Sec. 2.
	2. Individuals and partnerships operating as merchants are taxable, but business corporations operating as merchants are exempt from taxation on most all types of tangible personal property including merchandise except machinery used in the conduct of the business.	Massachusetts General Law of 1932, Chap. 59, Sec. 5(16).
Michigan	1. Exempts special tools used in manufacturing (dies, fixtures, molds, patterns, gauges, etc.).	Act 197, Laws of 1964 (Compiled Laws, State of Michigan, 1948, Sec. 211.9b).
	2. Exempts mechanic tools up to $500 and personal property of a householder used in business up to $500.	Compiled Laws, State of Michigan, 1948, Sec. 211.9(8) and (11).
	3. Freeport Law.	Compiled Laws, State of Michigan, 1948, Sec. 211.9(12).
Minnesota	1. Taxpayers may elect to have exempt inventories or tools and machinery which by law are considered personal property.	Ch. 32, Art. IV, Laws 1967, 1st Sp. Sess. (M.S.A., Sec. 272.02 (11)).
	2. Freeport Law	Minnesota Statutes Annotated, Sec. 272.022 and 272.023.
Mississippi	1. Exempts manufactured products owned by or remaining in the hands of a manufacturer, if ultimately to be shipped or sold to other than the final consumer and at retail.	Mississippi Code of 1942, Sec. 9697.7(1), (3), and (4).
	2. Freeport Law.	Mississippi Code of 1942, Sec. 9699-02.

TABLE C-1 - Continued

State	Type of Legislation	Legal Citation
Missouri	1. Freeport Law.	Missouri Revised Statues of 1949, Sec. 137.093.
	2. Exempts Commission merchants with respect to unmanufactured articles, consigned for sale, in which they have no interest other than their commission.	Missouri Revised Statues of 1949, Sec. 150.040.
Montana	1. The taxable property in the State is classified into ten classes and assessed at various percentages ranging from 1% to 100% of true and full value. Freeport property is assessed at 1%.	Chap. 35, Laws of 1971 (Revised Codes of Montana, 1947, Sec. 84-301 and 84-302).
	2. Stocks of merchandise of all sorts together with furniture and fixtures used therewith, except mobile homes, and all office or hotel furniture and fixtures are assessed at 33 1/3%.	Revised Codes of Montana, 1947, Secs. 84-301 and 84-302.
Nebraska	Freeport Law.	Revised Statutes of Nebraska, 1943, Sec. 77-1226.01.
Nevada	1. Exempts inventories of farm machinery and equipment dealers.	Chap. 162, Laws of 1969.
	2. Freeport Law.	Revised Statutes of Nevada, 1957, Sec. 361.160.
New Hampshire	1. Exempts goods held for out-of-State delivery by a manufacturer when title has passed to the purchaser.	Chap. 239, Laws of 1963 (Revised Statutes Annotated of New Hampshire, 1955, Sec. 72:15).
	2. Personal property taxes on stock in trade repealed effective March 31, 1970.	Chap. 5, Laws of 1970, 1st Sp. Sess.

TABLE C-1 - Continued

State	Type of Legislation	Legal Citation
New Jersey	1. Exempts business inventories and all other business personal property, except that used in telephone and telegraph systems, from local property taxation. Subjects certain kinds of business personalty, but not business inventories, to a Statewide tax of $1.30 per $100 of taxable value.	Chap. 136 and Chap. 138, Laws of 1966 (Revised Statutes of New Jersey, 1937, Secs. 54:4-1 and 54:11 A-2).
	2. Exempts personal property stored in a public warehouse.	Revised Statutes of New Jersey, 1937, Sec. 54:4-3.20.
New York	All tangible and intangible personal property is exempt.[1]	New York Consolidated Laws, Chap. 50-a, Sec. 300.
New Mexico	Freeport Law.	Chap. 60, Laws of 1963 (New Mexico Statutes, 1953, Sec. 72-2-1.1).
North Carolina	Freeport Law (beginning July 1, 1969, until then a freeport exemption is provided only for property held at seaports awaiting shipment to foreign countries).	Chap. 1185, Laws of 1967 (North Carolina Statutes, Sec. 105-281).
North Dakota	1. Exempts all personal property not required to be assessed by the state board of equalization, beginning in 1970, except property taxed in lieu of property taxes, property subject to taxation under any other provision of law and property of non-profit corporations.	H.B. 1185, Laws of 1971, and S.B. 137, Laws of 1969 (North Dakota Century Code, Sec. 57-02-08).
	2. Freeport Law broadened to include goods acquired or manufactured in North Dakota and destined for out-of-State shipment.	S.B. 302, Laws of 1967 (North Dakota Century Code, Sec. 57-02-42).

TABLE C-1 - Continued

State	Type of Legislation	Legal Citation
Ohio	1. Tangible personalty is assessed at 70% of its true value in money, with several exceptions. Personal property used in business is assessed at 50%. Merchants' inventories are to be assessed at the following ratios: 52% in 1970, and 50% for the year 1971 and thereafter.	Ohio Revised Code, Sec. 5711.22.
	2. Freeport Law.	Ohio Revised Code, Sec. 5701.08.
Oklahoma	Freeport Law.	Chap. 501, Laws of 1965 (Oklahoma Statutes Annotated, Title 68, Sec. 2425).
Oregon	1. An exemption is provided for a percentage of the true cash value of inventories for each tax year beginning July 1 as follows: for 1969, 5%; 1970, 10%; 1971, 15%; 1972, 20%; exemption increased by 10% for 1973 and each year thereafter until inventories become fully exempt for tax years beginning on July 1, 1980 and thereafter.	Chap. 604, Laws of 1965 (Oregon Revised Statutes, Sec. 310.608; Chap. 612, Laws of 1969.
	2. Freeport Law.	Oregon Revised Statutes, Sec. 307.810.
Pennsylvania	All tangible personal property is exempt.	Act of May 18, 1937, P.L. 633; and Act of June 19, 1939, P.L. 413.
Rhode Island	Exempts manufacturers' inventories.	Chap. 245, Laws of 1966 (General Laws of Rhode Island, 1956, Sec. 44-3-3(20)).
South Carolina	1. Reduces assessment for merchants' personal property to 10%.	Codes of South Carolina, 1962, Sec. 65-1647.4.
	2. Exempts manufacturers' inventories (except manufactured articles offered or available for sale at retail).	Codes of South Carolina, 1962, Sec. 65-1663.

TABLE C-1 - Continued

State	Type of Legislation	Legal Citation
	3. Freeport Law	Code of South Carolina, 1962, Sec. 65-1655.
	4. Exempts new, unused agricultural machinery or equipment if: (1)exempt from sales tax, (2)wholesale cost to the retail dealer is $500 or more, and (3) such machinery or equipment has been separately listed and included in the dealer's inventory for ad valorem tax purposes for some previous tax year.	H.B.2303, Laws of 1970.
South Dakota	Freeport Law	S.B.26, Laws of 1966 (South Dakota Code of 1939, Sec. 57.0311).
Tennessee	1. Exempts articles manufactured from the produce of this State in the hands of the manufacturer.	Tennessee Code Annotated, Sec. 67-502.
	2. Freeport Law	Tennessee Code Annotated, Sec. 67-502.
Texas	Freeport Law.	Chap. 208, Laws of 1963 (Revised Civil Statutes, 1925, Art.7150.9).
Utah	1. Freeport Law.	SJR5, Laws of 1963, Ammends Constitution, Art. XIII, Sec. 2; Chap. 120, Laws of 1965, (Utah Code Annotated, 1953, Sec. 59.2-18).
	2. The assessment and taxation of the inventory of retailers, wholesalers, manufacturers, farmers or livestock owners is reduced as follows: on January 1, 1970, such property is assessed at 20%; on January 1,1971, 14%; on January 1, 1972, 8%; on January 1,1973 and thereafter such property is wholly exempt.	S.B. 8, Laws of 1969, (Utah Code Annotated, 1953, Sec. 59-2-24).

TABLE C-1 - Continued

State	Type of Legislation	Legal Citation
Vermont	1. Exempts tools and implements of a mechanic or farmer, and motorized highway-building equipment and road-making appliances.	Vermont Statutes Annotated, 1959, Title 32, Sec. 3802.
	2. Exempts real and personal property of industrial facilities used principally for the processing of whey or other cheese by-products.	Chap. 220, Laws of 1970.
Washington	Freeport exemption repealed and replaced with a partial exemption for each separately assessed stock of merchandise.	Chap. 124, Laws of 1969.
Wisconsin	1. Increases credit for property taxes on merchants' inventories and manufacturers' materials and finished products from 50% to 60% (50% credit first enacted in 1961).	Chap. 163, Laws of 1965 (Wisconsin Statutes, Sec. 77.64).
	2. Exempts mechanics tools, farm, orchard and garden machinery and tools, and new farm machinery stocked and owned by a retailer.	Wisconsin Statutes, Sec. 70.111 (9).
	3. Freeport Law.	Wisconsin Statutes, Sec. 70.111(10)(a) and (10)(b).
Wyoming	1. Exempts certain manufacturers' and merchants' inventories after 1/1/72.	Chap. 199, Laws of 1967.
	2. Freeport Law.	Wyoming Statutes of 1957, Sec. 39-106.

[1]Freeport laws generally exempt business personalty awaiting shipment or in transit to another state of locality from property taxation.

[2]However, the law defines property of utilities to include as "real," much equipment which under standard concepts of property tax law would be personal.

Source: ACIR, State-Local Finance: Significant Features and Suggested Legislation, 1972 ed., p. 245.

APPENDIX D

Appendix D supplements Ch   ter III, "Assessment." Table D-1 presents information on the variation in the ratio of assessed value to market value. Table D-2 gives number of assessors and the types of local governments having assessors.

TABLE D-1. Assessment Ratios, Coefficients of Dispersion, and Valuation Concepts of the States
Assessment ratios and coefficients of dispersion can be used to measure assessment uniformity.

State	Coefficient of Intra-area Dispersion for Nonfarm House Assessments Median Area of Those Surveyed 1966	Statewide Average Ratio for Nonfarm Houses 1966	Legal Standard (Percentage Rate)	Valuation Concept
New York	34.3	31.9	100	Full value
South Carolina	33.7	5.4	100	True value in money
Texas	29.0	21.7	100	Full and true value in money
Kansas	28.5	19.4	30	Fair market value
Mississippi	27.8	16.5	100	Assessed in proportion to its value
Alabama	27.4	22.3	30	Fair and reasonable market value
North Dakota	26.8	11.5	50	Full and true value in money
Arizona	26.0	18.9	18-60	Full cash value
Hawaii	25.7	62.4	70	Fair market value or a percentage thereof
Idaho	25.7	11.4	20	Market value
Pennsylvania	25.5	32.8	100[a]	Actual value (the price for which the property would sell
Missouri	25.3	27.6	100	True value in money
Nebraska	23.7	31.8	35	Valued at actual value, assessed at 35%

TABLE D-1 - Continued

State	Coefficient of Intra-area Dispersion for Nonfarm House Assessments Median Area of Those Surveyed 1966	Statewide Average Ratio for Nonfarm Houses 1966	Legal Standard (Percentage Rate)	Valuation Concept
Oklahoma	23.2	20.8	35	Fair cash value
Wyoming	23.0	20.2	b	Fair value
West Virginia	22.9	39.1	100	True and actual value
Minnesota	22.8	10.8	Varies by class	Market value
Indiana	22.7	25.6	33 1/3	True cash value
New Mexico	22.7	43.2	100	Assessed in proportion to its value
Louisiana	22.5	17.8	Not below 25	Actual cash value - Land at not less than $1.00 per acre
Montana	22.5	13.3	1-100	True and full value
South Dakota	22.0	37.9	60	Full and true value in money
Washington	21.7	16.6	50	True
Utah	21.0	16.2	30	Reasonable fair cash value
Michigan	20.7	28.2	50	Full cash value
Illinois	20.3	41.7	50[c]	Fair cash value
Arkansas	19.8	16.0	20	True market value in money

TABLE D-1 - Continued

State	Coefficient of Intra-area Dispersions for Nonfarm House Assessments Median Area of Those Surveyed 1966	Statewide Average Ratio for Nonfarm Houses 1966	Legal Standard (Percentage Rate)	Valuation Concept
Delaware	19.8	53.4	100	True value in money
Tennessee	19.5	28.9	50d	Actual cash value
Nevada	19.4	29.4	35	Full cash value
Colorado	19.0	27.2	30	Actual value
Iowa	18.9	24.6	27	Actual value
Oregon	18.9	21.8	100	True cash value
Vermont	18.8	32.8	Up to 100[e]	Fair market value
North Carolina	18.2	53.1	e	True value in money
New Jersey	18.1	66.1	20-100[f]	Uniform percentage at true value
Alaska	17.3	86.0	100	Full and true value in money
Georgia	16.9	39.7	40	Fair market value
Maryland	16.9	50.1	100	Full cash value less an allowance for inflation
Ohio	16.2	37.0	50	True value
Wisconsin	16.2	55.0	100	Full value at private sale

TABLE D-1 - Continued

State	Coefficient of Intra-area Dispersion for Nonfarm House Assessments Median Area of Those Surveyed 1966	Statewide Average Ratio for Nonfarm Houses 1966	Legal Standard (Percentage Rate)	Valuation Concept
Kentucky	15.8	91.4	100	Fair cash value
Virginia	15.8	33.4	100	Fair cash value
Maine	15.6	58.6	"Just Value"	At just value in compliance with state laws
California	15.1	19.7	25	Full cash value
New Hampshire	14.8	54.6	100	Full and true value in money
Massachusetts	14.6	49.1	100	Fair cash value
Florida	14.2	78.3	100	Full cash value
Rhode Island	14.2	56.2	e	Full and fair cash value
Connecticut	12.3	54.6	Up to 100	Uniform percent of market value within local district
United States	19.2 mean 20.5 median	34.5 mean 30.6 median		

TABLE D-1 - Continued

[a]In fourth to eighth class counties , real property must be assessed at a predetermined ratio not to exceed 45 percent.

[b]At a fair value in conformity with values and procedures prescribed by the state tax commission.

[c]"Fair cash value" is defined as 50 percent of the actual value of real and personal property, except in counties of more than 200,000 where real property is classified for tax purposes.

[d]To be attained by January 1, 1973 with increasing percentages on the following schedual: 1970, 30 percent; 1971, 35 percent; 1972, 40 percent; 1973 and there after, 50 percent.

[e]Uniform percentage, determined locally.

[f]In a multiple of 10 as is established by each county board of taxation. If a county fails to establish a uniform percentage, a 50 percent level of assessment is employed until action is taken.

Source: Coefficient and Ratios, Bureau of the Census report, Taxable Property Values (Volume 2, 1967 Census of Governments), Assessment Standards, ACIR from Commerce Clearing House, State Tax Reporter.

TABLE D-2. The Number and Kinds of Localities Having Assessors by State, 1972. Some states have too many assessment jurisdictions. Small jurisdictions cannot afford modern assessment technology.

STATE	Approximate[1] number of Local Assessors Rank Order	Approximate[2] number of People per Assessor	Rank	Number of Locally Assessed Taxable Real Properties[3] 1966	Rank	Localities having[4] Assessors	Comments[5]
Minnesota	2,030	1,856	45	1,354,000	21	Cities, Villages, Townships, Counties	Consolidation of many small units under way.
Wisconsin	1,872	2,332	43	2,146,000	10	Cities, Villages, Towns, Counties	
North Dakota	1,800	339	47	459,000	37	Cities, Townships	
New York	1,552	11,609	37	4,076,000	3	Cities, Towns, Villages, Counties	Localities are authorized to join together for the purpose of hiring one assessor.
Michigan	1,510	5,813	40	3,386,000	7	Cities, Villages, Townships	A 1972 act permits local governments to combine assessment functions.
Illinois	1,461	7,513	39	3,806,000	6	Townships, Counties	Multi-county assessment consolidation is permissable but not practiced
Indiana	1,100	4,675	41	2,287,000	9	Townships, Counties	
New Jersey	567	12,502	34	1,999,000	11	Cities, Towns, Villages, Counties	
Maine	496	1,970	44	453,000	38	Cities, Towns	
Missouri	435	10,636	33	1,826,000	14	Township, City, County	
Massachusetts	351	16,040	38	1,900,000	12	Cities, Towns	
Texas	254	43,298	12	5,987,000	1	Cities, Towns, School Districts, Counties	
Vermont	246	1,779	46	188,000	46	Cities, Towns	
New Hampshire	235	3,076	42	432,000	39	Cities, Towns	
Mississippi	182	11,861	36	812,000	31	Cities, Counties	

TABLE D-2 - Continued

STATE	Approximate[1] number of Local Assessors Rank Order	Approximate[2] number of People per Assessor	Rank	Number of[3] Locally Assessed Taxable Real Properties 1966	Rank	Localities having[4] Assessors	Comments[5]
Kentucky	170	18,591	26	1,030,000	27	Cities, Towns, Counties	
Connecticut	169	17,698	27	838,000	29	Cities, Towns	
Georgia	159	28,241	21	1,318,000	22	Cities, Towns, Counties	Number recently consolidated from 600 to 159
Tennessee	13	29,081	19	1,313,000	23	Counties, Some Towns, Cities	Most cities and towns have consolidated assessment functions with counties.
Virginia	131	34,159	15	1,682,000	17	Cities, Counties	
Iowa	119	23,444	24	1,727,000	16	Cities, Counties	
Kansas	105	21,163	25	1,389,000	20	Counties	
North Carolina	100	49,684	11	1,899,000	13	Counties	
Nebraska	93	15,786	30	707,000	34	Counties	
Ohio	88	119,795	4	3,940,000	4	Counties	
Oklahoma	77	32,446	16	1,565,000	18	Counties	
Arkansas	75	25,149	22	1,441,000	19	Counties	
South Dakota	72	9,126	38	525,000	36	Cities, Counties	In 1970 the number was consolidated from 404 to 72.
Alabama	67	50,343	10	1,199,000	24	Counties	
Florida	67	99,569	5	2,913,000	8	Counties	Florida has recently consolidated small units with county units.

TABLE D-2 - Continued

STATE	Approximate[1] number of Local Assessors Rank Order	Approximate[2] number of People per Assessor	Rank	Number of[3] Locally Assessed Taxable Real Properties 1966	Rank	Localities having[4] Assessors	Comments[5]
Louisiana	64	52,703	9	1,073,000	25	Parishes	
Colorado	63	34,574	14	779,000	32	Counties	
California	62	317,991	1	5,965,000	2	Cities, Counties	
Montana	56	12,180	35	351,000	42	Counties	
West Virginia	55	30,943	18	902,000	28	Counties	
Idaho	44	15,869	29	295,000	44	Counties	
Rhode Island	39	23,652	23	307,000	43	Cities, Towns, Fire Districts	
Washington	39	85,971	6	1,760,000	15	Counties	
Oregon	36	57,115	8	835,000	30	Counties	
New Mexico	32	31,195	17	376,000	41	Counties	
South Carolina	30	84,096	7	774,000	33	Cities, Counties	
Utah	29	36,269	13	384,000	40	Counties	
Maryland	24	161,443	2	1,066,000	26	Counties	
Wyoming	23	14,286	32	108,000	49	Counties	
Alaska	20	14,730	31	77,000	50	Cities, Boroughs	

TABLE D-2 - Continued

STATE	Approximate[1] number of Local Assessors Rank Order	Approximate[2] number of People per Assessor	Rank	Number of[3] Locally Assessed Taxable Real Properties 1966	Rank	Localities having[4] Assessors	Comments[5]
Nevada	17	28,346	20	180,000	47	Counties	
Arizona	14	125,151	3	643,000	35	Counties and One Special District	
Hawaii				218,000	45		Hawaii has no local assessors, there are four state districts with one state assessor each.
Delaware				175,000	48	Cities, Towns Counties	Respondents to survey were not able to say how many localities had assessors.
Pennsylvania				3,822,000	5	Cities, Towns, Townships, Counties	Respondents to survey were not able to say how many localities had assessors.
United States	Median 88	Median 21,377		Median 1,073,000			

[1]ECS Survey.

[2]1970 Census and ECS calculations.

[3]Census of Governments 1967.

[4]ECS Survey.

[5]Ibid.

TABLE D-3. State and Local Real Estate Transfer Taxes, January 1, 1972. Real estate transfer taxes provide useful information for sales ratio studies.

X - denotes "Yes"; --- denotes "No"; S - "State Agency"; L - "Local Assessor or Similar Local Official".

State and government imposing	Use of stamps	Provision for recording full sales price	Provision for automatically transmitting sales price information
Alabama (State)	---	---	---
Arizona (State)	---	X	S,L
Arkansas (State)	X	---	---
California (local)[1]	---	---	---
Colorado (State)	X	X	L
Connecticut (State)	X	---	---
Delaware (State and local)	X	X	S
Florida (State)	X	---	---
Surtax on transfer of real estate.	X	---	---
Georgia (State)	---	---	---
Hawaii (State)	X	X	S
Illinois (State)	X	X	S,L
Indiana (State)[2]	X	---	---
Iowa (State)	X	---	---
Kentucky (State)	---	X	L
Maine (State)	X	---	---
Maryland (State and local)[3]	X	---	---
Additional State tax	---	---	---
Massachusetts (State)	X	---	---
Michigan (State)	X	X	S,L
Minnesota (State)	X	---	---
Nebraska (State)	X	---	---
Nevada (State)	X	---	---
New Hampshire (State)	X	---	---
New Jersey (State)	---	X	L
New York (State and local)			
State	X	---	---
Local	---	X	---
North Carolina (State)	X	---	---
Ohio (local)	---	---	---
Oklahoma (State)	X	---	---
Pennsylvania (State and local)[4]	X	X	---

TABLE D-3 - Continued

State and government imposing	Use of stamps	Provision for recording full sales price	Provision for automatically transmitting sales price information
Rhode Island (State)	X	X	---
South Carolina (State and local)			
State	X	X	---
County	X	---	---
South Dakota (State)	X	---	---
Tennessee (State)	---	---	---
Vermont (State)	---	X	S,L
Virginia (State and local)			
State and local[5]	---	---	---
State	---	---	---
Washington (State and local)[6]	X	X	L
West Virginia (State and local)			
State	X	X	---
County	---	X	---
Wisconsin (State)	---	X	S

[1]Counties or a city and a county are authorized to impose a tax on real estate transfer. Cities within a county which has already imposed the tax may levy a tax of ½ the rate with a credit being given against the county tax for the city tax.

[2]The tax is applicable only to corporations subject to gross income tax.

[3]The city of Baltimore and specified counties are authorized to supplement the State tax, at rates ranging from $1.10/$500 to 1½ percent of the actual consideration paid.

[4]Local governments are authorized to impose a real estate transfer . . up to 1% and about 1,850, including more than 1,000 school districts, have done so.

[5]Counties and cities levy a tax of 1/3 the State recordation tax (5¢/$100).

[6]Counties are authorized to levy a 1% real estate tax; all 39 counties have done so.

Source: ACIR staff compilation based on Commerce Clearing House State Tax Reporter; and U.S. Bureau of the Census, Governments Division.

TABLE D-4. State Constitutional and Statutory Limitations on School District Power to Issue General Obligation Long-Term Debt, Based on Assessed Valuations, 1971.
In some states the assessor can limit school debt.

EAV - Equalized Assessed Valuation   LAV - Local Assessed Valuation
MV - Market Value   C - Constitutional   S - Statutory

State	Citation	Rate Limit Percent	Rate Limit Applied against	Remarks
Arizona	C	4[a]	EAV	[a]In no case to exceed 10% of EAV.
Arkansas	S	15[b]	LAV	[b]By permission of State Board of Education, limit may be raised to not exceed 13% of total assessed valuation.
California	S	5 to 15[c]	LAV	[c]5% for elementary, high school and community college districts; 10% for unified districts not maintaining a community college; 15% for unified districts with a community college.
Georgia	C	7	LAV	
Illinois	C-S	5	EAV	
Indiana	C	2	LAV	
Iowa	C	5	MV[d]	[d]By judicial interpretation.
Kansas	S	7[e]	EAV	[e]10% for common school districts in counties with population of 125,000 to 200,000.
Kentucky	C	2	MV	
Louisiana	C	25	LAV	
Massachusetts	S	2½[f]	EAV	[f]Debt incurred for certain purposes is expected, in some cases with separate rate limits.
Michigan	S	15	EAV	

TABLE D-4 - Continued

State	Citation	Rate Limit Percent	Rate Limit Applied against	Remarks
Minnesota	S	10	MV[g]	[g]Where at least 20% of the local tax base consists of railroad property (which is exempt from local taxation) special privisions apply.
Mississippi	S	15	LAV	
Missouri	C-S	10	EAV	
Montana	C	5	EAV	
Nevada	S	15	LAV	
New Hampshire	S	7[h]	EAV	[h]10% for cooperative school districts.
New Jersey	S	4[i]	EAV	[i]8% in cities of first class with population over 350,000.
New Mexico	C	6	LAV	
New York	C-S	5 to 10[j]	MV	[j]5% for school districts in cities under 125,000; 10% for noncity school districts with assessed valuation over $100,000. No limit for noncity school districts with assessed valuation under $100,000.
North Dakota	C	5	EAV	
Ohio	S	9[k]	LAV	[k]Subject to voter approval. Lower limits are set without voter approval.
Oklahoma	C-S	5[l]	LAV	[l]Amount incurred in any year may not exceed revenue for the year, except by a 3/5 majority vote.

TABLE D-4 - Continued

State	Citation	Rate Limit Percent	Rate Limit Applied against	Remarks
Oregon	S	[m]	MV	[m]0.55% for grades 1-8: 0.75% for grades 9-12; 1.5% for community college or area education district.
Pennsylvania	S	15[n]	LAV	[n]Up to 5% without referendum; any debt incurred beyond the 5% limit, up to 15%, requires a simple majority approval of the electorate.
South Carolina	C	8[o]	LAV	[o]Where 2 or more municipalities or school districts overlap, aggregate limit is 15%.
South Dakota	C	10	EAV	
Texas	S	10[p]	LAV	[p]0.2% for junior college districts.
Utah	C	4[q]	MV[r]	[q]Debt incurred to any one year may not exceed amount of taxes raised for the year without a simple majority approval of the electorate (property taxpayers). [r]By judicial interpretation.
Washington	C	10[s]	LAV	[s]Debt incurrence that would bring total above 1.5% subject to approval by 60% majority vote, but in no case may it exceed 5%. However, a constitutional amendment authorizes an additional 5% for "capital outlay."
West Virginia	C-S	5	LAV	

TABLE D-4 - Continued

State	Citation	Rate Limit Percent	Rate Limit Applied against	Remarks
Wisconsin	C-S	5[t]	EAV	[t]10 percent for school districts offering no less than grades 1-12 and which are eligible for highest level of State aid ("integrated" districts).
Wyoming	C	10	EA	

Source: ACIR, State-Local Finances: Significant Features and Suggested Legislation, 1972 edition, pp. 150-159.

APPENDIX E

ECS QUESTIONNAIRE USED IN COLLECTION OF INFORMATION FOR THIS RESEARCH BRIEF

Please give answers for the situation now in effect. If major changes are anticipated shortly, we would appreciate your noting them. Check as many answers as apply.

1. How are local assessors chosen?

____ (elected) ____ (appointed) Not civil service or merit system ____ (merit system or civil service)

2. If applicable how are state assessors chosen?

____ (elected) ____ (appointed) Not civil service or merit system ____ (merit system or civil service)

3. Which localities have assessors?

____ (city) ____ (town) ____ (village) ____ (township)

____ (county) ____ (multi-county) ____ (school district)

____ (other)

4. How many localities have assessors?

____ (number)

5. Has your state recently consolidated the number of local assessors?

____ (yes) ____ (no)

6. How long is a local assessor's term of office?

____ (years)

7. Are assessors required to be certified to hold office?

____ (yes) ____ (no)

a. If yes, who provides the <u>required</u> certification?

____ (state) ____ (locality)

____ (professional orgainzation) ____ (other)

b. If certification is not required, is it available through (check as many as apply)

(state) (locality)

(professional organization) (other)

8. Is assessor training required either before or after taking office?

(yes) (no)

a. If yes, who provides the training?

(state) (locality)

(professional organization) (other)

9. Are tax maps required by State Statute or State Administrative Law?

(yes) (no)

a. If yes, are minimum map standards required?

(yes) (no)

b. Is air photography used in mapping?

(yes) (no) (yes in some locations)

10. Who appraises complex properties (e.g., factories, utilities, large commercial buildings)?

(local assessors) (state assessors)

(other)

11. Does the state conduct ratio studies?

(yes) (no)

a. If yes, are studies published and available for taxpayers?

(yes) (no)

b. If yes, how often are studies made?

(years)

12. Does the state publish a uniform assessment manual?

_____ (yes) _____ (no)

a. If yes, are assessors required to use the manual?

_____ (yes) _____ (no)

13. Are regular assessments of all exempt property carried out?

_____ (yes) _____ (no)

a. If yes, are the results published and available to the taxpayer?

_____ (yes) _____ (no)

14. Can your state property tax agency order reassessment of local property?

_____ (yes) _____ (no)

15. Can your state property tax agency discover and cause to be assessed property omitted from local assessment?

_____ (yes) _____ (no)

16. Is state financial aid available for updating local assessment practices?

_____ (yes) _____ (no)

17. Does your state currently levy a state property tax?

_____ (yes) _____ (no)

_____ Respondent (please print) _____ Title _____ State

RETURN TO
Department of Research and Information Services
EDUCATION COMMISSION OF THE STATES
1860 Lincoln, #300
Denver, Colorado 80203

AS:ja
10/3/72